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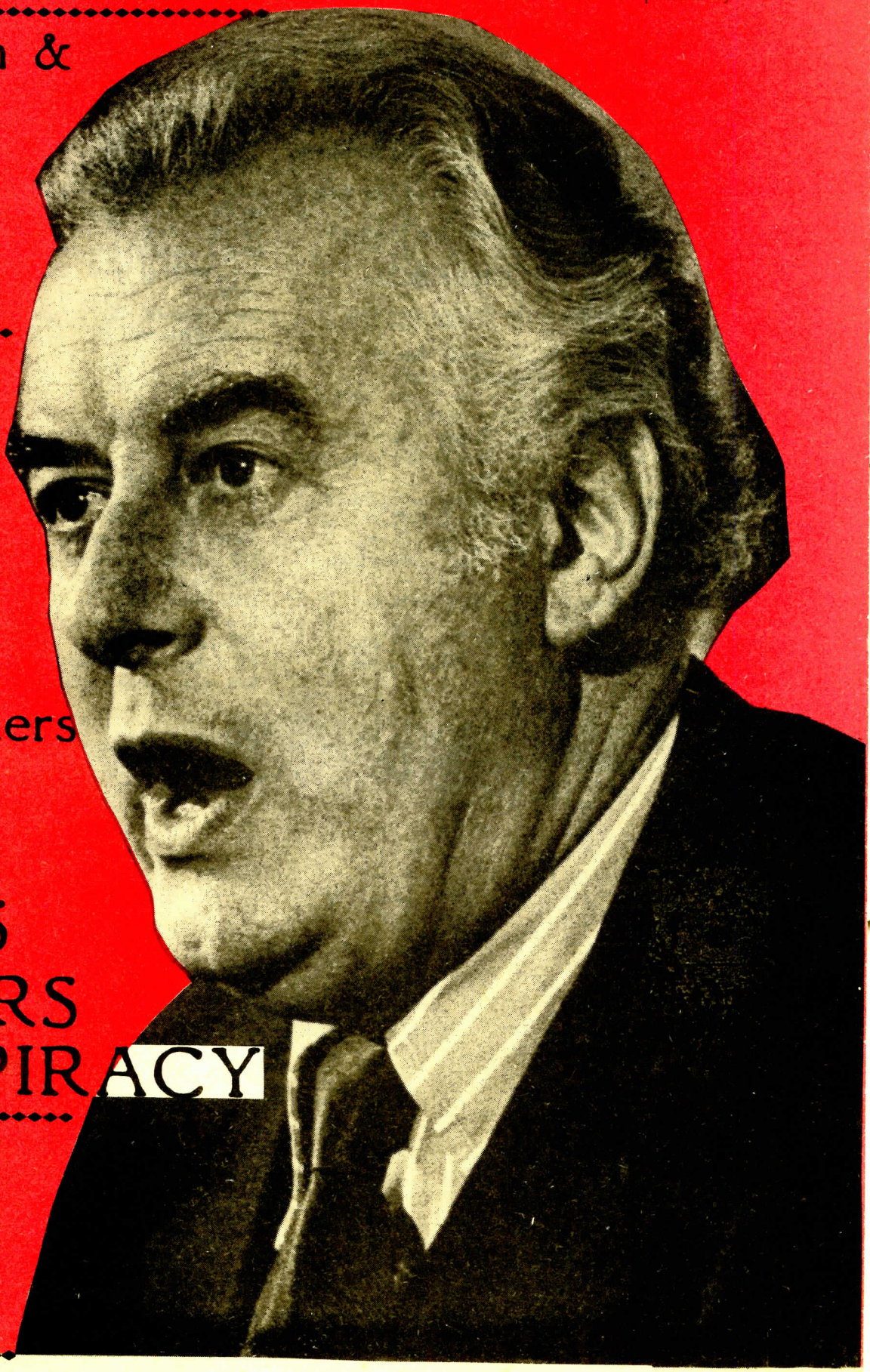

The CIA,
organised
crime &
arms dealers
in...

THE LOANS AFFAIRS CONSPIRACY

by
Denis
Freney

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NT : National Times
NR: Nation Review
DM: Daily Mirror
ST: Sunday Telegraph
DT: Daily Telegraph
FR : Australian Financial Review
Syd. Sun: Sydney Sun

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PO BOX A716, SYDNEY SOUTH, NSW 2000

By way of introduction

It is ten years since Remembrance Day 1975. In that decade, relatively little has been written on the destruction of the Whitlam government, and particularly on the forces involved in the loans affairs.

A few months after November 11, 1975, some journalists produced "instant books" on the crisis. These were useful and informative, but necessarily limited. Moreover, neither Labor nor the Liberal and National Parties had an interest in investigating the events deeply. For Labor, it was an embarassment or a trauma best forgotten. For the conservatives, any real investigation would only expose their own actions.

I have drawn a great deal on the investigative journalism of Brian Toohey and Marian Wilkinson of the National Times. Brian Toohey broke so many stories which helped us understand the Kerr Coup, that without his work, this book would have been impossible.

Marian Wilkinson broke new ground with her articles in 1981 which exposed for the first time the network of arms dealers operating from Australia and crucially the role of Yu and Cranendock in the Angolan arms deal.

It was Marian's 1981 article that renewed my interest in writing a book on the roots of the Kerr Coup, an idea I had had for many years. I, like Marian, had also been following closely the development of the Nugan Hand affair and particularly its CIA links. I decided in 1983 to begin work on a book on Nugan Hand, and write a chapter on the links of Nugan Hand, arms dealers, the CIA and organised crime to the destabilisation and destruction of the Whitlam government. The chapter quickly became this book. I found the interconnections snowballed the deeper I investigated.

Itwould be possible to spend another ten years following up all the leads in this book. If I had had the resources to investigate in the USA, Italy and Britain, the book would be more complete.

I decided to produce the book myself in time for the tenth anniversary because, first, I was satisfied the main thesis of the book was proved, and, second, I have many other things to do and write...

I use the word "conspiracy" in the sub-title of this book, aware that I will be accused of the crime of holding a "conspiracy theory".

I can only say that while I oppose "conspiracy theories" which see the world following a pre-ordained plan worked out by some historic conspiracy (be it the "Jewish" one or the "communist" one), I nevertheless believe that conspiracies do exist and are in fact an everyday part of political, economic and social life. Politicians conspire to win power by fair means or foul; organised crime figures conspire naturally to corrupt and influence police and politicians; to rig races; to import heroin .... And intelligence services conspire to destabilise governments, sabotage, murder or what you will.

And almost everyone it seems will conspire to avoid taxation...

Only the naive or innocent believe that all political events result from activities played out publicly with all the cards on the table. And Australians generally lost their political innocence on November 11, 1975.

Of course, it is easy to ignore uncomfortable facts which don't fit into a theory; to project a conspiracy when none exists. In November 1975, I was personally sceptical about claims of a CIA conspiracy -- Fraser and Co. were quite able to do the dirty work I believed. The overwhelming evidence of CIA involvement changed my view. Moreover, no one would have supposed an organised crime connection or that arms dealers were right in the middle of most loans affairs. Yet the evidence is now overwhelming...

This book can also be viewed as a compendium of information on activities of people in these areas which may not be directly related to the players in the loans affairs themselves. I've taken the view that connections one or two removed from an actual participant can be significant... This is a method used by the Costigan Commission for example in its computerised records, which recorded interconnections going way beyond the second or third level. These distant interconnections sometimes prove the most useful in uncovering criminal connections or "conspiracies". Likewise, I've found as they did in the Commission that "it's a small world" when you go deeply into such areas...

To conclude: while I owe a great debt to the pioneering work of Brian Toohey and Marian Wilkinson, I should stress that they have not read this book before publication and so cannot be held responsible for its contents or conclusions. My thanks also to Graham Gambie for some interesting information; to Konrad Ege of National Reporter for looking up a K Street address; to Olivier Schmidt for his help from Paris and to G , L and J for pre-publication critiques and to G for editing work.

Denis Freney, Sydney,
October 1985

1. Prelude: Bob Tan & the Yips

On October 14, 1974, Dr Jim Cairns stopped over in Hong Kong after a successful visit to China as Minister for Overseas Trade. Cairns was deputy Prime Minister and soon to become Treasurer in the Whitlam government. As the unchallenged leader of the Labor Left, he appeared at the peak of his power.

Eight months later, Jim Cairns was no longer in cabinet and was a broken man. His downfall indirectly related to a meeting he had in Hong Kong soon after his return from China. On October 14, 1974, he met one Bob S Tan , a Hong Kong businessman who claimed he could raise one billion dollars from petrodollar sources for the Australian government.

Accompanying Tan in his meeting with Cairns was Adelaide builder and millionaire Gerry Karidis and his solicitor, Tim Anderson. With Cairns was Sir Lennox Hewitt, permanent head of the Department of Minerals and Energy.

Karidis had been told about Tan by Adelaide opal dealer Tibor Shelley and had passed the news on to Labor Minister Clyde Cameron. Cameron in turn told Rex Connor, Minister for Minerals and Energy, who wanted to raise billion-dollar loans to finance large- scale plans for petroleum and mining development and for "buying back the farm" -- natural resources from multinational corporations.

Since Cairns was about to go to China and Hong Kong, Connor arranged for him to meet Bob Tan to see if the money was really available.

Cairns questioned Tan about the alleged funds but failed to get a satisfactory answer. The Australian High Commission in Hong Kong made further inquiries about Tan and his company, Worldwide Finance and Trading Corporation, which confirmed Cairns' belief that Tan did not have the ability to raise the petrodollar loan and the negotiations with Tan were broken off.

In a letter to Tibor Shelley, Tan protested in no uncertain terms. "Perhaps they (the High Commission) may not know the deal that we are dealing with as it could be top state secret". Tan said he was "closely associated" with "Arabs got excess petrodollar". (Kerr's King Hit p. 140). It was a theme to be repeated many times in the coming year.

Bob Tan's exaggerated claims, his poor English and the fancy name of his company aroused amusement among journalists and officials.

The amusement was misplaced. And Jim Cairns was indeed fortunate to have rejected Tan's proposals. It was a course that he and other ministers would have been well advised to follow in the coming months in relation to other loans proposals.

The Worldwide Finance and Trading Corporation was no tin-pot concern, despite what may translate in English as a grandiose title. Its true owners were the Yip family of Hong Kong who control gambling in the colony and its neighboring island colony of Maucau. Seven years later, the Yip family were to feature prominently in a scandal involving the NSW Deputy Police Commissioner Bill Allen.

Justice Perrignon in his 1982 report on the Allen affair, placed great importance on the payment of Allen's expenses during a holiday to Hong Kong and Maucau, by Lori and Tony Yip. In particular, Justice Perrignon stressed the Yips' links with Caesars Palace , the notorious, mafia-linked gambling casino in Las Vegas. Lori Yip was the Far East representative of Caesars Palace and also arranged

QUOTE: While Cairns was meeting the Yips' representative Bob Tan, Justice Moffitt was condemning their closest associates in Australia...

free or cut-rate accommodation for Allen and his family in Hong Kong, Honolulu, Maucau and at Caesars Palace in Las Vegas. While Lori Yip booked Allen's accommodation at Caesars Palace, the bill was paid for by Jack Rooklyn , one of Australia's top organised crime figures with mafia connections. Rooklyn was a central figure in the 1974 Moffitt Royal Commission into Clubs, which first spotlighted US mafia penetration into Australia. Moffitt found that Rooklyn controlled the Australian and Asian operations of Bally Corporation, the US-based poker machine multinational and that this corporation had close links with the US mafia. Rooklyn had and has close links with the Yips, including at the time that Tan was meeting Cairns.

Allen was also strongly criticised by Perrignon for his association with a top organised crime figure, Abe Saffron, whom Allen entertained at NSW police headquarters. Saffron's name resurfaces often in our later examination of other loans affairs.

The Yips also had strong connections with the Sydney Chinese community. Keith Wong of Transworld Travel in 1982 provided the Allen family with air tickets to fly to Hong Kong to stay with the Yips. Allen claimed he paid Wong for these tickets two months after returning from Hong Kong,but Perrignon expressed serious concern as to whether Allen did so.

In mid-1983, Wong's Transworld empire (of which the travel agency was but a small part) collapsed, leaving strong suspicions that millions had been channelled out of Transworld illegally into overseas tax havens (NT, 2-8 Sept 1983).

Keith Wong's brother , Denis Wong, owns, among other things, the Mandarin Club in Sydney and was also investigated by the Moffitt Royal Commission. The commission was concerned about an attempt by Murray Riley to bribe Liquor Union official John Morris to lift industrial action affecting Wong's Squire Inn Motel which housed the South African Springbok rugby union team during the anti-apartheid protests of 1971.

Wong's Mandarin Club was heavily involved in the sly-grog rackets of the immediate post-war years, before liquor licensing laws were liberalised.

During the Seventies, Denis Wong was a close business associate of David Dexter Pethard, a Melbourne arms dealer who featured in the Harris loans affair.

These widespread connections between the Yips of Worldwide Corporation and organised crime figures in Australia, and with the US mafia, repeats a pattern that will emerge of organised crime connections with all the loans affairs. At the very time that Jim Cairns was meeting the Yips' representative, Bob Tan, in Hong Kong, Justice Moffitt was bringing down his report condemning the activities of some of the Yips' closest associates in Australia. Moffitt also warned of the dangers of increasing US mafia penetration of Australia. In fact, US organised crime was already well implanted in Australia and meddling in top-level politics.

The Whitlam government had a fortunate escape when it rejected Tan's offer to raise petrodollar billions, but more skilled con-men were to be recruited than Bob Tan.

Within weeks, the loans affairs conspiracy was off on its irreversible and fateful course.

2. The Khemlani Affair

On November 11, 1974, Pakistani-born Tirath Khemlani met Rex Connor in parliament house, Canberra. It was a year to the day, and almost to the minute, before Sir John Kerr dismissed the Whitlam government. Khemlani played no small part in preparing the way for that historic event.

Almost immediately after Tibor Shelley was told that Cairns and the government had rejected Bob Tan as an intermediary, he contacted another of his Hong Kong business associates, Thomas Yu, an importer/exporter and a major arms dealer.

Thomas Yu then phoned to Holland, to his partner Theo Cranendock, a Dutch arms dealer trading as Globe Chemicals. Cranendock claimed later that at the time Tirath Khemlani just happened to be sitting in his office when Yu phoned. Yu told Cranendock of Shelley's search for someone who could organise a multi-billion dollar petrdollar loan for the Labor government. Khemlani agreed to seek the loan, claiming that a "friend", a former secretary to the Saudi king, was stopping at the Dorchester Hotel in London where "His Excellency Sheik Sikkar Gassan" was also a guest. Gassan was a Saudi banker and an "adviser to various governments in the Middle East", Khemlani claimed (Kerr's King Hit pp 141-2).

Khemlani flew to London and claimed he spoke with Gassan who undertook to raise $2 billion. Khemlani and Cranendock then jetted to Hong Kong where they met Shelley and Yu. They all then agreed on how to divide up the 2 1/2 percent commission they hoped to get for organising the loan. Crannendock, Shelley and Khemlani then flew to Australia for their fateful meeting with Rex Connor...

Just who were Yu, Cranendock and Khemlani ?

In early 1975, Yu and Cranendock were involved in a major arms deal. They acted for the "buyers" of surplus US war equipment in Thailand, which was to be shipped, eventually, to CIA-sponsored rebels in Angola. The "buyers" were, in fact, the CIA operating through any number of front companies. The "sellers" were the US armed forces, if not the CIA itself. The "sellers" were represented in turn by the Singapore office of Commerce International. In other words, Yu, Cranendock and Commerce International were being used, in an elaborate farce, to cover the fact that the CIA was supplying its Angolan rebels with weapons. (NT Aug. 30- Sept 9, 1981).

In 1975, Gerhard Whiffen represented Commerce International in Singapore, and operated out of the offices of an Australian arms dealer based in Singapore, Christopher Sundt Brading. Another Australian arms dealer and drugs trafficker, John Maxwell Singer, was also involved in the Angolan arms deal.

Both Singer and Brading had close CIA links. Brading hadflown for the CIA's airline, Air America, in the late sixties and early seventies and sought to buy equipment from Air America after 1975. Singer was on good terms with a number of CIA officers, including Earl Morgan. Morgan was also a friend and associate of Brading's.

Commerce International is alleged to have been founded by the notorious Edwin P Wilson for the CIA's ultra-secret Task Force 157 to provide cover for CIA arms purchases for its puppets around the world, and for more covert operations. (Mother Jones

QUOTE: Their survival depends on close and friendly contact with the intelligence agencies and on doing favors when required...

March 1984).

It would be confusing at this point to detail all the interconnections of Commerce International, Yu, Cranendock, Brading, Singer, and other arms dealers with the CIA. This subject will be detailed later. It is sufficient to note at this point that Commerce International featured in the Khemlani, Harris and Cowls loans affairs and that Brading and Singer had close business links with David Pethard (Harris loans affairs) and many other arms dealers whose names will appear later in this book.

The chief actor- Tirath Khemlani

But let us now look at the chief actor, Tirath Khemlani.

When Khemlani met Rex Connor in November 1974, he had been working for a short six months for the respected London-based Dalamal and Sons as their commodity division manager. Dalamal and Sons was a "venerable and respected firm" founded in India during British rule and which had moved to London after independence. When Connor's department asked the large London bullion firm, Johnson Matthey to give their opinion of Dalamal and Sons their references were glowing.

Dalamal also seems to have been a victim of Khemlani's great ability as a con-man, and, as Johnson Matthey gave Khemlani a good reference based on his employment by Dalamal, there is no evidence that Johnson Matthey checked on Khemlani's earlier employment. (H of R Hansard, July 9, 1975, pages 3612-3613).

Before being employed by Dalamal in 1974, Khemlani had spent nine years as a "freelance commodities dealer". Prior to that, he had been declared a bankrupt in Scotland in 1964 and was undischarged in 1975. (Aust, Oct. 17, 1975).

His nine years as a freelance had not been profitable, he told Melbourne Herald journalist Peter Game. He had "barely broken even" in that period. (Syd. Sun, Oct 9, 1975).

From 1965 to 1974, Khemlani spent much of his time working in newly-independent Africa, trying to arrange deals in oil, sugar, cement and dozens of other commodities. He was one of the new breed of carpet-baggers who descended on Africa. While there is no concrete evidence that Khemlani was involved in arms dealing during this period, it would be strange if he were not. Freelance commodity dealers like Khemlani regarded arms as just another commodity, but one from which quite spectacular profits could be made.

Freelancers like Khemlani lived largely off their wits. Successful deals are few and far between -- but when they do occur, they are profitable in the extreme. Such freelancers therefore have to have many potential deals in the pipeline at the one time. If only one in a dozen came even close to fruition, things were going well. Many strings have to be tied together to pull off such a deal -- from arranging import and export licences, financing and transport, to bribing officials. And other freelancers had to be kept out of the act. The telex machine and, occasionally, the international telephone , were the right hand of such freelancers. They dashed from one country to another living in hotel rooms and airline seats. Khemlani's reams of telexes and his frantic jetting around the world in 1975 was the lifestyle followed by many of his fellow dealers.

In this shadowy world there is another fact of life which Khemlani and his ilk had to face. Their activities, particularly in arms dealing, are closely watched and supervised by intelligence services around the world, particularly when they deal with strategic materials.

Their survival depends on keeping close and friendly contact with these intelligence services and on doing favors for them when required. Arms dealers can come to a very sticky end if they ignore the advice of the intelligence services. They need protection and are willing to pay with services rendered.

Connor authorised to seek $4 billion

It is not possible in this book to give a detailed history of the different loans affairs, but it is sufficient here to briefly outline the flow of the Khemlani affair and some of its most pertinent aspects.

Khemlani won Rex Connor's confidence almost from the moment he met him and Connor's faith in Khemlani remained unlimited right up to the moment that Khemlani metaphorically stabbed Connor in the back.

As early as December 20 1974, Connor was told by the Union Bank of Switzerland that they had no knowledge of a multi-billion dollar loan which Khemlani said they were handling for his Arab contacts. Connor angrily threatened to break contact with Khemlani, but the telex machine rattled and Khemlani was able to placate Connor. If Connor had not been so deeply conned by Khemlani and had broken contact then, Australian political history may have been very different.

On December 13, 1974, the Executive Council had given Connor authority to seek a $4 billion loan. This was revoked the following month because Treasury was negotiating another loan, but Connor's authority was restored a few days later, this time for a $2 billion loan.

The December 13 Executive Council decision did not remain a secret for long. Within days, parliamentary press gallery journalists were being tipped off by Treasury officials about the loan authority. The journalists were mystified -- they could see no news story in the Treasury leak. They rang Connor's parliamentary office and found his press office equally mystified. When they asked Connor what it was all about, they were told that it is "nothing".

The Opposition soon learned of the Executive Council minute. Phillip Lynch, the deputy Liberal

Khemlani arrives in Melbourne, October 1975, with bags of telexes...

QUOTE: Khemlani had alternatively raised the dashed Connor's hopes. Time after time the loan was supposedly finalised...

Leader, heard of it from the media and from Treasury sources, but the Christmas holiday period had begun and parliament was not to meet until mid-February. Moreover, as it stood, there was little political capital to be made from the Executive Council minute. Even experienced journalists did not see the implications, and the government could explain the purpose of the loan was to "buy back the farm".

But between December and mid-February, Lynch and his friends got other projects under way. Alexander Daniel Thomson, a Sydney businessman , knew about the Khemlani loans affair even before December 13, 1974. When Cairns rebuffed a first indirect attempt by Thomson to obtain some authorisation for loans raising, he began moves to involve George Harris who on March 7, 1975, received such authorisation from Cairns (see next chapter). And Eric Sear Cowls was already worming his way into Cairns' favor ...

Lynch knew much more than he let on when he asked the first question on the loans affair in parliament on February 13, 1975. Conveniently, on the previous day, the Sydney Morning Herald and the Melbourne Sun had accurately reported that Connor was looking for a $2 billion loan from Middle East sources, although they had had the story for nearly two months. Lynch asked Connor whether the government was seeking "massive overseas loans funds from the Middle East?" Connor refused to give details, saying that such financial matters had to be "handled with the utmost discretion".

There the matter rested until the last week of April when Lynch asked why Connor had been given "this unprecedented authority" to raise overseas loans when this was normally a Treasury function. "Finally, is it a fact that senior Treasury officials have been urging the government to rescind this authority?" Connor again stonewalled, claiming that the matter was one of confidentiality.

By the end of April, the Harris and Cowls loans affairs were bubbling merrily, but more time was still needed.

It was not until May 20 that Opposition Leader Malcolm Fraser asked a question about Loans Council authority for Connor's fund-raising. Whitlam surprised him when he announced that Connor's authority to raise funds had been revoked because that day Treasury was raising a routine loan in the USA.

The fateful telex of May 23 to Khemlani

Connor believed the revocation of his loan-raising authority would be short-lived as it has been in January. On May 23, after his authority was revoked he received a further telex from Khemlani announcing that another Arab, " Mr El-Mondoris", was in the final stages of organising the loan. Khemlani was working with a John Everett Bracey on this particular loan. Connor made a brief and fatal response to Khemlani's telex. It was his undoing a few months later. We shall return to the notorious Mr Bracey later...

In the week after May 20, the Opposition attack escalated: had the "person" involved in the loan-raising been offered a commission "variously reported at $20 million and $80 million? " Had the government begun investigations into this "person" through the Bank of England ? "Does the report contain information from Scotland Yard? Is he aware that the report was available before January 27? Is he also aware that the report, in typewritten form, is now on Treasury files?" Lynch asked.

Whitlam knew nothing. Treasury Permanent Head Sir Frederick Wheeler only then confessed to Whitlam that Treasury had sought the Scotland Yard report which contained nothing adverse against Khemlani. Lynch and Fraser obviously had excellent sources within Treasury and elsewhere. They both knew much more, even in May, that they allowed to become public.

The Opposition attack in late May convinced Whitlam that the revocation of Connor's fund-raising authority should be permanent. The questions about Khemlani's possible commission and the Scotland Yard report persuaded Whitlam that the contact with Khemlani had to end. Connor, however, did not agree and continued the contact clandestinely.

Since December, Khemlani had alternatively raised, then dashed, Connor's hopes. Time after time, the loan was supposedly about to be finalised, only to fail at the last minute. Khemlani blamed his lack of documentation from the government and pressed Connor to give him the fullest authority. Connor resisted such pressure, but accepted each of Khemlani's excuses for his series of failures.

In the first week of June 1975 however a new loans affair broke. The Harris loans affair became public and Cairns was removed from Treasury to Environment. A month later, in early July, Cairns was found to have "misled parliament" and he resigned from cabinet. At the same time, the Cowls affair also exploded on the front pages.

The loans affairs had taken their first victim. Parliament adjourned and the Khemlani affair lay dormant. But the Melbourne Herald soon put one of its top journalists, Peter Game, onto Khemlani's trail. The Melbourne Herald, always very close to the Liberal Victorian Establishment, smelt blood. If Harris could destroy Cairns , why not use Khemlani to destroy Connor ?

Game followed Khemlani from hotel room to hotel room across the world. By early October 1975, Khemlani was telling all he knew to Game -- and the Liberal Party. On October 8, he told Game that the Labor government owed him $15 million. By October 14, Khemlani claimed he was owed $100 million. (Syd. Sun Oct. 8 and 14, 1975). He flew into Australia in October , to be rushed off to a hotel room by Phillip Lynch's staff. With John Howard, then an ambitious Liberal backbencher, Lynch's staff studied dozens of telexes which Khemlani brought with him.

Khemlani had told Game that he had been in continuous contact with Connor after the latter's loan-raising authority had been revoked on May 20. Connor had denied this in parliament. Then, on Oct-

QUOTE: Khemlani's friends in New York have said he received a large sum of money at the time of the Supply crisis...

ober 13, Game published a telex from Connor to Khemlani dated May 23. Connor, like Cairns, had "misled parliament" and was forced to resign. Fraser then announced the Opposition would use its Senate majority to block Supply to the government. The final act of the destabilisation of the Whitlam government had begun.

Khemlani did not decide to tell all he knew from an upright sense of public spirit. Nor did he believe he could receive compensation from the government.

Years later, in 1981, Brian Toohey of the National Times, tried to ask Khemlani some pertinent questions "about claims by a well-placed National Country Party source that he (Khemlani) had been paid $400,000 by a private US company to reveal information that precipitated the Supply crisis of 1975. The reasons for wanting an interview were reinforced by reports that Khemlani's New York friends have said he had received a large sum of money at the time of the Supply crisis". (NT August 16-22, 1981).

Toohey's information links up with similar claims, Laurie Oakes said in his 1976 book that two multinational and two Australian-owned companies had contributed $250,000 between them to pay Khemlani to co-operate with the Liberals, The money had been collected by a man prominent in the Liberal Party and deposited in a Swiss Bank (Oakes, page 135).

Lionel Bowen alleged without naming him that Sir William Gunn had in part funded Khemlani. (H of R May 6, 1976).

Gunn was a prominent member of the National Country Party, a member of the Reserve Bank board and a former head of the Wool Board. As we shall see, it was not the only time that Gunn's name appeared in the loans affairs. The allegations of Toohey, Oakes and Bowen regarding the "pay-off" to Khemlani link up with one of those unexplained mysteries which abound in the loans affairs.

Early in November 1975, Whitlam received a copy of a message found in a Hawaii hotel room. The handwritten message, was allegedly the draft for a telex message sent to Fraser in October 1975. It detailed the "chaos" which Khemlani was being "funded" to cause, in an effort to obtain the "capitulation" of the Labor government. The message gave instructions that it should be coded before transmission, by calling a particular Honolulu phone number. " The National Times, " Toohey wrote, "has called the number. It was the Hawaiian headquarters of the CIA" in 1975. (NT August 16-22, 1981).

The mysterious message was suspected of being a forgery, a piece of "disinformation" when it was first published in 1977. But given what we now know of Khemlani and his associates, it may well have been genuine.

After Fraser won the December 1975 elections,

Frank Costigan (second left) and Douglas Meagher QC, (right) leaving a hearing of the royal commission, which turned up many names linked to the loans affairs in other doubtful activities...

QUOTE: Licardy, Khemlani's solicitor in Sydney was an associate of John Boyden, later of Costigan Commission fame...

Khemlani left Australia and disappeared from public gaze, his whereabouts becoming public knowledge only some time later.

In 1977, Khemlani became the director of commercial and financial affairs of Onocoro Petrole, a petroleum corporation owned by the government of the Caribbean nation of Haiti. (NT Aug. 16-22, 1981). Haiti is one of the poorest nations on earth and has been ruled by the Duvalier family, for decades by "Papa Doc" Duvalier and more recently by his son, "Baby Doc". Their brutal regimes have been backed by death squads, torture and massacres -- and by the support of the CIA. Haiti has been a happy hunting ground for the CIA and the base from which it has launched many attacks on Cuba. It has also been a centre for mafia operations and major drug smuggling operations.

It is possible that Khemlani got the job with Haiti's national petroleum company through his persuasive confidence trickery. But it is more likely that he was recommended . Was it a pay-off by the CIA for services rendered in helping to destroy the Whitlam government?

Khemlani and the mafia's million fraud

But there was more to Khemlani. In April 1977, the Citizens National Bank of Chicago reported to the FBI that $2,000,000 worth of blank money orders were missing from a shipment from New York.

On January 20, 1980, FBI agent Charles Bolling swore out a warrant for Khemlani's arrest. On August 23, 1979, Khemlani had organised the smuggling out of the USA of $1,000,000 worth of the money orders stolen from the Citizens National Bank. According to Bolling, Khemlani had admitted, in a tape recorded conversation, that he had received the stolen money orders "from members of the mafia".

Four US citizens pledged assets of $500,000 to cover Khemlani's bail after he himself had put up $75,000 in cash. Two of them, from New Jersey. are regarded by the FBI as being agents for the New Jersey mafia family.

In the subsequent court hearings, Khemlani got off very lightly. On June 22, 1981, he was given a three years' suspended sentence. The court was lenient because Khemlani had "ratted on his mafia mates". (NT August 16-22, 1981). But was it also perhaps a pay-off by the powers-that-be for his role in Australia in 1975 ?

Khemlani dropped out of sight again, only to reappear in Hong Kong in early 1983. He claimed he represented Arab oil interests prepared to put up millions to save the failed Hong Kong property developer, EDA. Peter Dodds, managing director of Barclays Asia, the Hong Kong subsidiary of the giant British Barclays Bank, said Khemlani had produced documents showing that he had been "involved in raising substantial sums of money for (among others) the Australian government, the Republic of Angola and Sierra Leone".

One of the letters produced by Khemlani to prove his bone fides was signed by ... Rex Connor ! Khemlani handed around a visiting card describing himself as "roving ambassador and special assistant to the President of Haiti (retired)".

Khemlani presented himself as a director of Macwell International Investments of Hong Kong and claimed to represent a "bank" with headquarters in the London dormitory suburb of Stockwell. "Hardly the place where merchant bankers of the world put their offices", said a Hong Kong banker. " It was something from Alice in Wonderland". (SMH March 24, 1983).

Khemlani was laughed out of Hong Kong and no doubt continues his activities elsewhere around the world. Tales continue to circulate of him being sighted on airliners around the world.

Khemlani emerges as a confidence trickster pure and simple, but a capable one and an associate of arms dealers working for the CIA, the mafia and organised crime in Australia. It is a range of contacts common to all those who played their parts of the stage of the loans affairs conspiracy.

When Khemlani came to Australia in October 1975, under the auspices of Philip Lynch and the Liberal Party, his Sydney solicitor was John Francis Licardy. They certainly made a good pair. Licardy was struck off the role of practising solicitors in November 1976 and was declared a bankrupt soon after. At the bankruptcy hearings, he claimed that Khemlani owed him $20,000 for services rendered in late 1975. While action was under way to have him struck off the roll, Licardy "continued to transfer large sums of money from clients' accounts to his own trust account". (Registrar of Bankruptcy, Sydney, 439-76).

At the time Licardy was working for Khemlani, he was also an associate of John Arthur Boyden, and a shareholder with him in St. Antons Pty Ltd. Licardy said Boyden was a real estate agent (Bankruptcy, Sydney 439-76). But Boyden soon went on to bigger things.

A few years later he began to work for Transia Corporation, a merchant bank which itself made a bid to get involved in the loans affair (see chapter 6). While working for Transia, Boyden became one of the biggest tax evasion operators in Australia. In 1980, in Sydney, he chaired a meeting of the top 20 tax evasion scheme operators, to monopolise and organise the lucrative tax evasion racket. Boyden was also a key figure in the massive Hamidan fraud, uncovered by the Costigan Royal Commission. Space does not allow a detailed exposure of this affair, but it is one of the biggest scandals uncovered by the Costigan Commission. The commission report submitted to the government on this matter has never been published. (NT Oct. 21-27, 1983; SMH October 7, 1982;Tribune Oct. 27, 1982).

The National Companies and Securities Commission was ordered to investigate Transia in March 1983, following a NSW Corporate Affairs Commission inquiry and evidence before the Costigan Commission (Aust. April 2-3, 1983). Transia, as we shall see later,

was involved in at least one operation with the Nugan Hand "bank"....

It is unclear whether Boyden was working for Transia in 1975, but some contact was possible. The question arises in any case of how Khemlani was put in contact with an obscure Sydney solicitor, Licardy, in 1975. Who recommended he use Licardy ?

Along with Licardy and Khemlani, another strange person occupied the stage in October and November 1975. This was Alan James Crawford, an Australian living in London who was described as Khemlani's business associate. Crawford had a colorful history. He had been associated with an illegal offshore British pirate radio, Radio Caroline, which gained notoreity in the sixties. According to Labor Senator John Wheeldon, speaking in the Senate on November 4, 1975, Crawford had also been prominent in Scientology circles. One of his main claims to fame, Wheeldon said, was that he had been able to sell tickets to gullible Americans and others willing to pay hard cash for seats on the first commercial flight -- to the moon !

Licardy, Crawford and Khemlani certainly were a well-suited trio. Together they made outrageous claims in the media, in the lead-up to the Kerr coup of November 11, 1975 : Ministers were to receive commissions and kick-backs from the loans; Labor Ministers had held secret meetings with them in Adelaide; documents proving corruption were soon to be made public... and so on.

This campaign of disinformation was complemented by a similar one launched by Alexander Daniel Thomson, John Everett Bracey and Henry Wiley Fancher. But these three come into prominence later in this book.

The Khemlani affair was a set-up. The only real question is how early Khemlani became an active and knowing agent for the conspiracy. On face value, it seems that Khemlani only became an active part of the conspiracy in October 1975, but given his background, and that of those who introduced him to Connor in the first place, it may well be that Khemlani was kept in reserve until October because the prime target of the conspiracy was not Connor but Dr Jim Cairns.

Phillip Lynch's timing in uncovering the Khemlani affair, which he knew of as early as December 1974, suggests that such a timetable in the planned destruction of the Labor government existed. We shall explore this issue further in later chapters.

Rex Connor in his Wollongong home territory, 1975.

3. The Harris Affair

It did not take long for the news that the Labor government was looking for a multi-billion dollar loan to reach the ears of north Queensland Liberal Senator Ian Wood. In December 1974, Wood approached the newly-appointed Treasurer Jim Cairns, with a proposal. He told Cairns that his business associate, Alexander Daniel Thomson, known as Dan Thomson, had contacts overseas who could raise the money. After consulting with Treasury officials, Cairns rejected Wood's proposal to meet Thomson.

But Thomson was not one to give up easily. In either late December or early January, Thomson got a "finance broker" Roger Lockwood to look up a friend of his, Leslie Bela Nagy . In a statuatory declaration made months later and incorporated into the House of Representatives' Hansard at Dr Jim Cairns request on July 9, 1975, Nagy said that Lockwood arranged for him to meet Thomson to discuss raising funds, but insisted that George Harris , a business associate of Nagy's, should also be present.

At the subsequent meeting, Thomson told Harris and Nagy that he knew the Australian government was seeking a loan of $4,000 million from overseas and that he could arrange that loan. He said he understood that Harris knew Cairns and asked him to speak to the Treasurer about the matter. Harris later confirmed that Cairns was interested in the loan "but would not deal with intermediaries".

On March 7, 1975, Harris and Nagy went to meet Cairns. They produced a letter from an American, Anthony Fensore of "Sunlight Corporation", confirming that the $4 billion loan was available "with a once-only brokerage fee of 2.5 percent". Harris also showed Cairns a letter to Fensore confirming this offer. The letter came from .... Commerce International's New York office !

Thomson's contact in raising the $4 billion was none other than the arms dealing company, Commerce International, with which the men who introduced Khemlani to Rex Connor were involved in arms dealing with the CIA !

The conspiracy had begun which, four months later, would lead to Cairns resigning from the cabinet. But before we look at how the conspiracy unfolded, let us look first as the conspirators so far identified.

For a number of years, Senator Ian Wood had been a director of Minerals Centre No Liability which had been floated at the height of the speculative stock market boom in mining company shares in 1969-1970.

In 1974, Wood resigned as a director of Minerals Centre NL and Dan Thomson took his place. Wood however retained his shares in the company. Minerals Centre NL finally went into liquidation in October 1976 with nearly $200,000 in outstanding debts. (NSW CAC documents).

The company was in desperate financial straits in early 1975 and getting a slice of a 2.5% commission on a $4,000 million loan was no doubt a tempting idea. But if Thomson was serious about trying to raise such a huge loan, the Commerce International was scarcely the best vehicle to choose!

In 1975, Leslie Nagy, the "fall guy" in the affair was a partner in a syndicate called Zeus Nominees Pty Ltd. The syndicate was composed of Nagy, and Melbourne businessmen David Dexter Pethard, Solomon Lew and Leonard Rosenfeld. Zeus owned property near the proposed Museum underground railway station, part of the Melbourne Underground Railway Loop which has

QUOTE: Zeus had brought its Museum station property for $3,500,000 and had hoped to sell it for $7,000,000...

since been built. In 1975, the property was expected to increase greatly in value once the station began to operate.

The Zeus syndicate employed George Harris as manager of the project, but had major problems in 1974-1975. In March 1974, the Melbourne Underground Railway Loop Authority (MURLA) set up by the Victorian Liberal government had placed a two-year freeze on all land development and speculation in the city block affected. Zeus had bought its property in this block in 1973 for $3,500,000 and had hoped to sell it for $7,000,000.

But the Zeus syndicate had borrowed the finance for its original purchase from the big multinational merchant bank, Partnership Pacific. Zeus and other property owners protested strongly about the freeze on development imposed by MURLA and in September 1975, the Hamer Liberal government set up a consultative committee to examine the MURLA freeze. The representative of the property owners was David Pethard. (NR, Jan 30 1976; Feb 14, 1976).

The Victorian Minister for Transport at the time was Ray Meagher, but he resigned from the Hamer government in August 1975. Meagher was a "rallying point" for the far-right among the Victorian Liberals (NT Aug. 25, 1975) and also was a personal friend of George Harris, as was the most famous Liberal of them all, Sir Robert Menzies. Harris was the chairperson of the Carlton Football Club , whose members included Menzies, Cairns, Fraser and other notables.

Menzies treated Harris as his son, so close was the friendship. Nagy says he was invited to a dinner with Sir Robert and Dame Patti, Harris and his wife and two other couples. "I was bedazzled with his (Harris') familiarity with many important people," Nagy said. Harris "also introduced me to a Mr Ray Meagher. We had a luncheon meeting at the Southern Cross (hotel) concerning our Melbourne property" (that frozen by MURLA). Meagher was unable to give the Zeus syndicate any real satisfaction before he resigned from the government.

George Harris: dentist to loans affairs

George Henry Harris was no newcomer to controversy. He began his career as a dentist, but was soon dabbling in other affairs. He developed a long association with Protean Holdings, the big meat-packing company and was, at different times, running Protean's abattoir at Newmarket, Melbourne, and the Richmond Protean abattoir and a sausage-casing plant.

Protean's Richmond plant was the subject of a long-running scandal involving the corrupt, Labor-controlled Richmond municipal council. Protean also featured in the meat-substitution scandal, involving the substitution of kangaroo and other low-grade meat for export beef.

Harris took over the Carlton Football Club in 1964, at the head of a "reform group". His comments at the time are revealing. Harris said: "I'm not interested in popularity, only success. And I'm very fond of success. It's hard to be a success and a nice fellow at the same time. I do what I believe I have to do, and if it means that people get hurt, well, that's too bad".

After working with Protean, where his ruthlessness was well used, Harris moved into land development , still his major occupation today. Over the years, Harris has gained notoreity for his ruthless overriding of the wishes of residents and environmental groups. He is the front man, the heavy for other developers who feel the need for his services.

For the Zeus syndicate, however, Harris' main usefulness was his political contacts whom they hoped could work a better deal from MURLA. And it was Harris' acquaintance with Jim Cairns over the previous four years which interested Thomson and Senator Wood.

Nagy was the fall guy and there is no evidence that he was consciously involved in the conspiracy surrounding the loans affair.

David Pethard , Nagy's associate and Harris' boss in the MURLA property, was however at the very centre of the loans affairs. And Pethard was also at the centre of an arms dealing network which included John Singer, Norman Lewis, Walter Jockel,Chris Brading, Eugene Bartholomeus, Commerce International, Michael Hand, Edwin P Wilson, Bernie Houghton and many others, of whom more later.

These names will appear, often more than once, in following chapters. A separate chapter is devoted to the arms dealers. It is sufficent here to stress that arms dealers are in close contact with intelligence services both here and around the world. Pethard for example, is known to ASIO and has had contact --- not always friendly --- with them for years.

Finally, there is the very important American connection through Commerce International and others with the Harris loans affair. But for the moment we will leave this aspect and return to the unfolding of the affair itself.

How Cairns signed the March 7 letter

We left George Harris and Leslie Nagy in Jim Cairns office on March 7, 1975. After Harris showed Cairns the telex from Fensore and the letter from Commerce International, Nagy takes up the story of what happened next : "Dr Cairns made it very clear in the interview that he did not believe a loan could be arranged in accordance with the terms mentioned in the telexes. He said the terms were unbelievable. He used the word 'fairytale'to describe the documents, rejected the idea and said we were wasting our time".

Cairns' response was in line with his rejection of similar offers in the immediate past. But then Cairns did something he had refused to do in the past, perhaps because of the standing Harris had. "He (Cairns) said he would give us something upon which we could make our enquiries and called in a typist I believe to be Miss Karen Stegmar. Harris knew Miss Stegmar well. Dr Cairns asked Miss Stegmar to take some notes to compose a draft letter to Mr Harris. It was

QUOTE: Robert Stanley Cohen was an associate of Colin Hamilton and Murray Riley and was named in the Joint Task Force report...

not addressed to Alco International (the joint company set up by Harris and Nagy).

"While Miss Stegmar took notes, Mr Harris did most of the talking -- I said little. Dr Cairns objected to a number of points. The girl left to prepare a draft of the two letters, each of which was to be in general terms ".

Harris and Nagy also left Cairns' office. Harris went over to stand near Stegmar as she typed the letter and began to talk to her. " On two occasions she removed paper from the typewriter and destroyed it and inserted new paper.

"When a letter appeared to have been agreed upon, the girl and Mr Harris moved towards Dr Cairns' office. She appeared to be carrying a bundle of letters. The girl went into Dr Cairns' office and came out within two or three minutes with Harris, who then came to me and said: 'we've got the letter, let's go'.

"When we were outside," Nagy continued, "I asked him to show me the letter dated March 7, which was addressed to Alco International Pty Ltd and which stated that the Australian government was interested in overseas loans and in the event of a successful negotiation being arranged and provided the interest rate of the loan did not exceed eight percent in total, the government would be prepared to pay a once-only brokerage of 2 ½ percent.

"I was pleasantly surprised at the terms of the letter as I had gained the impression whilst in Dr Cairns' office that he would not concede to most of our requests. I had expected him to deliberate on the terms and conditions of the drafts before issuing the final letters to us.

"I asked him about the second letter which was also required and he said: 'Let's get out of here, I'll come back on Monday. I can get that at any time' ".

Harris and Nagy returned to Cairns' office in Sydney on March 10 to get the second letter. "Harris asked him (Cairns) for a letter indicating in general terms that the government was interested in borrowing. Dr Cairns said to us that it was no good asking for anything in the way of an authority from the Australian government and all he would give us was a statement that the government is willing to borrow funds from overseas on suitable terms and conditions.

"A letter to this effect was prepared. It was dated 10 March 1975 and was given to Mr Harris. He told Miss Morosi in the outer office to change the address to Alco International, but she said 'that's what the boss dictated and that is all I am permitted to give you'. We then left the office".

The first letter (that of March 7) was the direct cause of Jim Cairns' resignation. Cairns then and since has denied consciously signing that letter, and Nagy's statuatory declaration strongly suggests that in fact, Harris and Stegmar conspired to type the letter on official letterhead, then place it among other letters awaiting Cairns' signature. Ministers sign dozens of letters a day and it is certainly not uncommon for them to sign without checking the exact text. They naturally trust their staff on such matters.

Stegmar and Harris denied Nagy's account of events surrounding the March 7 letter. But Nagy remains a very credible witness. First, he was a strong Liberal supporter, without sympathy for the Labor government. Second. he was a partner of Harris, and others. Third, the internal evidence, based, for example on a comparison with the contents of the March 10 letter tends to confirm Nagy's account and make it most unlikely that Cairns knowingly signed the March 7 letter. The March 10 letter baldly and simply states: " The Australian government is willing to borrow funds from lenders overseas on terms and conditions suitable to us". This letter was next to valueless for Harris, but, with the March 7 letter, it had its purpose. Almost immediately, Harris flew to New York.

But he was not alone.

On March 14, Harris met with Americans involved in the proposed loans raising. Dan Thomson did not attend; in his place were two close associates, Australians, Robert Stanley Cohen and Peter Farrelly Rogers . Cohen and Rogers were "the Australian principals of an American firm of brokers, International Funding and Insurance Brokers. Thompson (Thomson) was an intermediary of this firm". (Kerr's King Hit p 157).

Who were Cohen, Rogers and International Funding ?

Cohen: from loans to Anoa importation

The Joint Commonwealth-NSW Police Task Force which investigated Nugan Hand and the "associates" of Murray Stewart Riley , a major drug trafficker made this note of Robert Cohen: "Cohen, Robert Stanley. 10.8.30. Associate of Colin Hamilton. Approached to supply boat for 'Anoa' importation. Arranged introduction to Reinder de Graaf" (TFR, p. 612)

The Anoa importation refers to the attempted importation of $46 million worth of marijuana into Australia in early 1978, for which Riley and others have served long prison sentences.

De Graaf was a key figure in the early stages of the organisation of the Anoa importation. Murray Riley gave many versions of how the importation was organised, none of them reliable, but it is worth noting that in his first interview with police after his arrest, Riley claimed he met de Graaf in Singapore in 1977 after Riley had allegedly been approached by an unnamed person in "Bangkok" who wanted introductions to a large-scale supplier of buddha sticks" and to "people with shipping connections in Australia". Riley claimed that de Graaf introduced him (Riley) to Graham Cann , who owned the ship which later collected the marijuana off Thailand and carried it south until it was wrecked off a reef off the Solomons. The Anoa was then sent to collect the marijuana off the wrecked ship.

Cohen was also, as the Task Force noted, closely associated with another person involved in the Anoa importation -- Colin Francis Hamilton. Hamilton, like Riley was a former police officer. Even while still

Junie Morosi and husband David Ditchburn.

QUOTE: Stein was a mafia figure and was entertainments manager of the Associated Motor Club in Sydney,which was raided by Riley...

in the NSW police in 1969, Hamilton was involved in a company, Rado Investments Pty Ltd, which operated Rozelle Liquor Supplies. His fellow directors included Roger Montague Fowler and Joseph Patrick Toohey . Toohey, Fowler and Hamilton were partners with Murray Riley and others such as Wally Dean in the "raid" on the Associated Motor Club in 1971 and after. Riley's gang stripped the club of its assets in ways later exposed by Justice Moffitt in his Royal Commission into Clubs.

From 1971 to early 1974, Hamilton through his company Mainway Security Pty Ltd received $150 a week (a sizeable sum in those days) for "security and consultancy work" for the Associated Motor Club. His "security" was not very good, because the club was finally closed after a series of scandals and lots of missing funds.

Perhaps even more important is the fact that Danny Stein was linked with the Motor Club scandal. Stein was a mafia figure of some note, a known associate of mafia boss Meyer Lansky and of Dino Cellini and Gerry Catena, who were mafia figures controlling the Bally poker machine company. Stein had also been a part-owner of the company runnign Caesar's Palace casino in Las Vegas but sold out his interests in the casino in 1971. He first came to Australia in 1972 and became a close associate of norotious organised crime figures such as George Freeman and Murray Riley. (Bottom, Godfather, pp 59-66).

Stein was "entertainments manager" of the Associated Motor Club for several months in 1973, at the time Hamilton was "security adviser" !

Stein was one of the first top-level US mafia figures to establish close business links with Australian organised crime. We will return to the role of the US mafia in the loans affairs later.

After the Motor Club closed, Hamilton served as "security officer" in Victoria Street, Kings Cross, "protecting" the property and interests of developers Frank Theeman and Sir Paul Strasser and of Abe Saffron . With Hamilton providing "security" were two other former police officers, Keith Kelly and Fred Krahe. In the residents' struggle to defend Victoria Street against the developers, there were many threats and one kidnapping. Finally came the murder of Juanita Neilsen.

In January 1975, Colin Hamilton bought an interest in Perc Thomson Real Estate in Lindfield, Sydney. Involved in the business with him were Robert Cohen, Dan Thomson and John Everett Bracey.

By January 1976, Perc Thomson Real Estate had closed its doors. Hamilton moved out as did the others. The firm is now operated by other people altogether. But what is significant is that, in early 1975, Cohen, Hamilton, Bracey and Thomson were together in Lindfield, supposedly selling real estate but, in fact, spending much of their time trying supposedly to arrange a multi-billion dollar loan. (See Hamilton's bankruptcy file, Sydney, 1976).

When Cohen went to New York with Harris in March 1975, he was representing the "syndicate" around Perc Thomson Real Estate. But Cohen was also listed as the representative of an American company International Funding and Insurance Brokers and its Australian affiliate, International Funding Affiliates Pty Ltd.

Bracey & million dollar fraud case

In September 1972, John Bracey became a director of International Funding Affiliates Pty Ltd, which had been set up in NSW in 1970. A fellow director was Dale Francis Murphie , a real estate agent in Belmont, near Newcastle, NSW. Murphie was also a director of Kimberley Mineral Holdings Ltd. In late 1972, the NSW Justice Minister McCraw ordered the NSW Corporate Affairs Commission to investigate Kimberley Mineral Holdings. Finally, in October 1975, Bracey, Murphie and others were charged with "conspiring to cheat and defraud Kimberley Mineral Holdings Ltd of diverse sums" totalling over $1 million between January and March 1972. The laying of charges had been delayed because two of the accused had to be extradited back from overseas. In late 1974, Bracey was well aware of the charges awaiting him and which, despite his best efforts finally in 1979 led him to getting over 12 months in jail. (NR Dec 12, 1975; Hamilton bankruptcy hearings).

Bracey in 1975 was therefore anxious to get into the good books of John Maddison , then Attorney-General in the NSW Liberal government. We shall look more closely at Bracey's relationship with Maddison later on.

Bracey, interestingly enough was the Task Force's information source on Hamilton's role in the Anoa importation. But in 1975, Bracey and Hamilton were the closest of friends.

International Funding Affiliates -- the Australian company linked directly with International Funding and Brokers in the USA -- was therefore in 1972 the vehicle, at least in part, for a $1 million fraud. In 1975, it was involved in a supposed effort to raise billions of dollars !

In particular, Bracey is a key figure in unravelling the loans affairs conspiracy because he showed almost demonic energy in playing key or important roles in the Khemlani, Harris and other loans affairs and then in the Fancher affair. Much more on Bracey later ....

But before leaving Robert Cohen, it is important to note that he also did not restrict his efforts efforts to the Harris loans affair. He , like Bracey, had his finger in almost all of them. In particular he worked with Whitney Todd of the USA, of whom much more in the chapter dealing with the Fancher affair.

However it is worth noting here that Cohen was a person with wide connections, which in 1975 included Robert J Hawke, then president of the ACTU, who was also at the time a member of the board of the Reserve Bank. According to reliable sources, Cohen claimed to have approached Hawke for help in getting Reserve Bank approval for one of the loans which Cohen was working on with Whitney Todd.

QUOTE: Peter Rogers was a business associate of Michael Moloney... the lawyer for Bernie Houghton and Michael Hand...

Whether anything came of the approach, or whether it was in fact made and was not just an idle boast by Cohen is not known.

As noted earlier, Peter Farrelly Rogers accompanied Harris and Cohen to New York in March 1975, as a representative of International Funding. At this time Rogers was a real estate agent and a business partner of Sydney solicitor Michael John Moloney in a company called Theodore Investments Pty Ltd. They owned property in Glebe, Sydney, which was later sold. (Registrar of Bankruptcy, hearings, Moloney, March 11, 1981).

Michael Moloney & Nugan Hand

At the time, Moloney was an adviser to Bruce John McDonald and McDonald's Macfield Corporation which also had barrister WG Hodgekiss as a director. McDonald was elected to NSW parliament in 1976 and later became Leader of the Opposition. He led the Liberals to a disastrous defeat in 1981 and lost his own seat. A major cause of McDonald's defeat was exposure of his links with Nugan Hand, particularly in a tax evasion scheme worked out by Frank Nugan for a Dr J Ogden (NSW CAC report on Nugan Hand, pp 265-267).

Macfield and McDonald will reappear shortly in relation to the Cowls Affair (next chapter).

Today, Michael Moloney is facing charges of playing a major role in the destruction of many of the records of Nugan Hand following the death of Frank Nugan in 1980. Moloney for many years was also a business partner and adviser to Bernie Houghton ,the American intelligence agent cum con man cum restaurateur who played such a major role behind the scenes in Nugan Hand. Houghton still lives in Kings Cross , apparently immune to any prosecution for his role in Nugan Hand. He had and has close links with organised crime, particularly through Abe Saffron.

Moloney and Hodgekiss acted as solicitor and barrister respectively for Michael Jon Hand and still remain his legal counsel in Australia, although Hand officially has disappeared. Hand was a CIA agent, a friend of Edwin P Wilson (as was Bernie Houghton) and a major arms dealer, linked in turn with Yu, Cranendock, Pethard, Bartholomeus, etc. Hand was also deeply involved with Murray Riley and numerous other heroin dealers and importers.

Even to the most trusting observer, the combination of links among arms dealers, organised crime and intelligence services represented by the associates of Thomson, Pethard, Cohen, Hamilton, Rogers and Bracey must point towards the Harris loans affair being a conspiracy.

Let us now look at the "American connections" in the Harris loans affair.

In March 1975, Harris, Cohen and Rogers met their American counterparts in the offices of Ivor B Clark Co, in suite 1019, Investment Building, 1511 K Street, New York. Treasury reported soon after that Ivor B Clark was primarily a real estate investment broker and not part of the"established New York investment banking community". (Hof R July 9,1975 page 3590).

Chennault: strange next door neighbor

Ivor B Clark's next door neighbor in suite 1020 was Anna Chennault and the Flying Tiger Line.It may be pure coincidence that these two companies were next door to each other, but given what we have discovered so far, it is worth noticing the very long-term relationship between Anna Chennault and the Flying Tiger Line and the CIA. Anna Chennault is the widow of General Claire Chennault who founded the Flying Tigers during World War II to ferry supplies from Burma to Chiang kai-shek's beleaguered troops. The Flying Tigers became famous for their daring. They worked closely with the Office of Strategic Services (OSS) , the forerunner of the CIA. The OSS units in China were under the command of Colonel Paul Heliwell(whom we shall meet later in the loans affairs!) . Chennault's airline known then as CAT later flew CIA support for Chiang against the Red Army and finally became Taiwan's first airline, when it was run jointly by the CIA and Chiang after the CIA bought out Chennault. Chennault then re-formed the Flying Tiger Line in the fifties and it flew many missions for the CIA in Laos and elsewhere. Today it boasts it is the world's largest air cargo line. It flies computer gear into the CIA's Pine Gap spy station while denying any other links with the CIA.

In the seventies, Anna Chennault was one of the leading figures in the far-right "China Lobby" which championed Taiwan against Nixon's moves to recognise Peking.

The China Lobby was also linked to the most hardline elements in US politics and the CIA. The China Lobby and Anna Chennault had no love for the Whitlam government which had developed good relations with Peoples China and with North Vietnam.

But then Ivor B Clark executives may have had no contact at all with their next door neighbor...

Present at the meeting in suite 1019 in March 1975 were O.H. Genena and another vice president of Ivor B Clark and Co; Ambassador Marion H Smoak a former US ambassador and a consultant of Ivor B Clark's (did he know the Chennaults next door?); William R Whitea law professor and legal counsel to the large Emigrants Savings Bank and finally Dr Gerard V Korda from Commerce International.

The meeting divided up the expected 2½% commission (as mentioned in the letter Cairns signed on March 7) . (H of R July 9, 1975 page 3589). Nagy meanwhile had flown from Sydney to London where Ivor B Clark's representative P Murray-Jones was to arrange a meeting with the big merchant bank, Morgan Grenfells. The meeting was arranged for March 20, and Harris and Genena were to come to London on that day from New York. Genena however

Bruce McDonald as Opposition Leader, 1981, speaks to media outside Parliament House, Sydney....

did not come and the representatives of Morgan Grenfells met with Nagy, Harris and a "Mr Velous who Harris introduced as his London partner". (H of R July 9, 1975 page 3590). Morgan Grenfells was doubtful that the loan could be raised because of the low interest rate proposed but said it would try to raise the funds. Naturally, it failed.

Genena never did turn up in London, sending Nagy excuse after excuse for days until he finally announced there was no point in coming as the King of Saudi Arabia had been assassinated. As this country was to be the source of the billions, the deal was off.

Meanwhile, Nagy and Harris had sought the help of Harris' old friend, Sir John Bunting, the Australian

High Commissioner in London, to obtain visas to enter Saudi Arabia. He got them the visas in record time. Bunting had been "kicked upstairs" by Whitlam to get rid of him as Permanent Head of the Prime Minister's department. Bunting had no love for Whitlam. On a later visit to London, Harris showed Bunting and other diplomats the letters signed by Cairns, including the vital March 7 letter in photocopy form. The information went to Treasury which made sure it was used against Cairns.

There is no purpose in detailing the other complex activities of Harris and Nagy after the initial loan proposal collapsed. In fact, it is clear that it was Nagy who made major efforts to get the loan. By early June, news of these loan raising efforts had hit parliament and the media. Cairns was removed from the Treasury and appointed Minister for the Environment. Bill Hayden became Treasurer and almost immediately on June 12 cancelled all letters giving authority to Harris and Nagy and rejected loan proposals organised by Nagy. Yet, on June 20, Harris was still telling Nagy that all was well and that "in order to ensure our loans deals did not receive unfavorable publicity , he (Harris) had made a deal with Mr Lynch , with the prior consent of Dr Cairns to supply him (Lynch) with details of the so-called Khemlani deal, in return for which Mr Lynch would soft pedal on the so-called Harris deal".

On June 25, Harris was reported in the media as having been seen in the company of Lynch. Nagy queried Harris' actions, but Harris said he had only given Lynch material on the Khemlani affair. Soon after, however, the media front-paged Cairns' March 7 letter to Harris, a letter which Cairns had denied in parliament had ever existed. Cairns was forced to resign on July 4. It is almost certain that it was Harris that gave Lynch the March 7 letter, although it may have been Dan Thomson who was also working closely with Lynch at this time.

Thomson however was mainly held in reserve until later. On November 4, 1975 , Thomson's friend Senator Ian Wood told the Senate that Thomson had told him "his company obtained the money for the government in America. The first draw was to be in early December. I know that Dr Jim Cairns went over to America and wanted to give the imprint of Australian authority after attending a conference in one of the American countries. But what was the result? The money was eventually obtained, as I said, the draw down (first instalment) was to take place in December. But it was not taken up, I understand, because Dr Cairns has such a dislike for the United States of America...

"Mr. Thomson who on several occasions spoke to me about this matter said quite voluntarily to me on the Monday night by telephone : 'As far as I am concerned , I will release all the papers and blow the whole story open'. The whole story included that there were several ministers who were going to be in on a cut-up of the commission. That is what Mr Thomson told me not once but several times". (Senate Hansard, Nov, 4, 1975).

Thomson's story was a complete pack of lies, and Wood was either very gullible, or knew they were lies. But at that time any lie passed muster. It was one week before Kerr sacked Whitlam. Some Liberal senators were becoming increasingly restless about holding up Supply and it was feared they could vote with the government at any time.

While Thomson was telling Wood his tale, Thomson's colleague John Bracey was overseas at the command of Joh Bjelke-Petersen , Anthony, Lynch and others , seeking to find the "evidence" to back Thomson's claims that ministers were get any part of the commission. But more on that aspect of the loans affairs later.

Harris affair: set-up from go to whoa

It is beyond doubt that the Harris loans affair was a set-up , a huge confidence trick from go to whoa.

This would be a reasonable conclusion, even if we only take into account of the list of shady characters and companies which featured in the Harris affair. But the sequence of events, and the fact that it was Nagy rather than Harris who seriously pursued the loans , eventually offered in Switzerland, point to Harris not seriously being interested in loans raising and that his efforts overseas (at the expense of Nagy's financial generosity) were merely a charade, aimed at amassing the necessary documentation to bring down Cairns and sell off his information to the highest bidder. Harris and Thomson, at the very least, were in contact with Lynch, Wood and other Liberals very early in the affair. Wood knew from the moment the approaches were made to Nagy. Lynch certainly knew soon after. But the Harris affair had to "mature" which was most likely the reason the opposition went very quiet on the Khemlani affair from February to April 1975.

Cairns also played into the hands of the conspirators. However, one can be certain that Cairns did not knowingly sign the letter of March 7 which specified that Harris and the others would receive a commission. Nagy's account of the preparations and signing of that letter is too internally consistent for anyone to accept Harris' denial. But why Cairns gave any documentation at all to Harris, particularly one which raised the possibility of a commission in some form , is inexplicable, unless one understands the chaos and even demoralisation in Cairns' office at that time. The vicious media campaign of innuendo over Cairns' appointment of Junie Morosi to his personal staff broke in December 1974 and continued with increasing hysteria and smear for the following months. The Murdoch media led the way in the campaign, which was both sexist and racist, because of Morosi's Filipino background. Cairns slowly began to crack under the pressure and his office staff were similarly affected. An insistent and bullying George Harris got much of what he wanted, although Cairns resisted his efforts to get even more.

The Morosi affair had severely damaged Cairns' standing publicly and among his colleagues in caucus. The Harris affair was but the final blow. The conspirators, however, not ones to leave anything to chance, had another "affair" on the burner, which exploded on the front pages the day that Cairns resigned over the March 7 letter had become public knowledge. The second affair targetting Jim Cairns was the Sear Cowls affair, perhaps the most open and outrageous of all the loans affairs conspiracies.

Jim Cairns (smiling centre) in midst of huge crowd, Viet Nam Moratorium, Melbourne, May 8, 1970 : the CIA's priority target in 1974-1975...

Massive crowd in Sydney's Domain, to hear Gough, November 1975

4. The Cowls Affair

If other major figures in the loans affairs strenuously deny any suggestion that they worked for the CIA or any other intelligence service, Eric Franklin Sear Cowls loudly proclaimed his exploits as a super-spy. Cowls publicly proclaimed that he had been : a member of the CIA and had liquidated two people for them in Mexico; a member of the British intelligence services MI5 and MI6; a member of Mexican intelligence services and a close friend of the head of Egypt's intelligence services. (DM July 4 1975)

Cowls also claimed he had been, at different times, a liaison officer for the British Ministry of Defence; an RAF pilot; a first lieutenant with the British Pacific Fleet; a communications expert for the Royal Navy and for multinational corporations and an adviser both to the US President and the President of Mexico! But even more, he claimed to have been a special consultant for military and police communications systems in southern Africa as well as claiming that he had top political contacts in Italy, Latin America and Spain. He also claimed to be a martial arts expert and to have had wide experience in "international trade law and financial corporation law and finance and personal taxation".

A latter-day Sam Reilly, if Cowls is to be believed ! Cowls was most certainly a con man of international scope...

What is known of Cowls before and after he became involved in the frame-up of Jim Cairns ? Born in England in 1923, Cowls arrived in Australia via New Zealand some time in 1971. The high-flying spy spent several months living in the salubrious YMCA in Melbourne, before his efforts paid off.

He became involved with what the media described as "well-known con men" and moved into a costly flat in South Yarra. His association with the unnamed con men drew the attention of the Melbourne Truth which began to investigate him. Cowls, to escape the Truth entered into a mental hospital in 1973. He told his friends that he did so on instructions from the CIA to prevent his "cover" being blown. Truth reporters had found Cowls at a Falls Creek chalet known as the Thai temple and owned by the mysterious Keith Hyland, the "duck feather king" who was held prisoner by the South Vietnamese National Liberation Front during the Viet Nam war. Hyland, whose Asian business interests aroused much curiosity was believed to have strong intelligence connections.

It was around the time that he entered the mental hospital in 1973 that Cowls met Philip Cairns, who had just been appointed as Dr Cairns' electoral secretary. Philip Cairns was Dr Cairns' step-son and had a house adjoining that of Dr Cairns in a Melbourne suburb. Dr Cairns had known of Cowls' background in 1972 and at one stage had refused to vouch for Cowls' bone fides when asked by Cowls to do so.

Cowls, however, managed to worm himself into the confidence of both Philip and Jim Cairns . By October 1974, Dr Cairns was willing to throw his house and garden open for the wedding ceremony and party of Cowls and his bride , Vicki.

Early in 1974, Cowls incorporated a company , Auroro Systems (PAN-MEX) Pty Ltd with a list of directors that ranged across the world. Among its directors were Melbourne accountant Percival Jones and the wife of Melbourne real estate agent B N D Bernard. In addition there were Gerardo Calabria, David Marcos and Felipe Mendoza from the Philipp-

QUOTE: Gilham's office was a former brothel in the middle of the Picadilly vice district... Gaskell's was behind an interior decorator's shop

ines ; Prof G B Stanford from Houston, USA; Marchese Francesco Arezzo of Palermo Sicily, later replaced by Marco Ferraria from Milan. Stanford and Ferraria were allegedly "environmental engineers" and the goals of Auroro lay in the vague field of "environmental engineering". No accounts were presented to the Victorian Corporate Affairs Commission after Auroro was incorporated and there is no evidence that those overseas directors agreed to be such or that they even existed !

If the overseas directors and shareholders did actually exist and were not a figment of Cowls' fertile imagination, it would show Cowls had worldwide contacts. The Philippines directors may link with a claim by Cowls that he was involved in a major project for land development in Manila. He also claimed that Dr Cairns had met some of the principals involved in this project -- a claim denied by Cairns and never proved.

The "Pan-Mex" in brackets in Auroro's name referred to Panama-Mexico. In a fabricated telex to which we shall return, Cowls' "share" of the commission he was supposed to have received from loan raising was to be paid to Ing. Eric F Sear Cowls (Pan-Mex) Investments, c/- the First National City Bank, Mexico City. Other evidence indicates that Cowls may have had a "Mexican connection" as he claimed.

Cairnsville: fund raising begins

In any case, Auroro was to be an instrument in the development of "Cairnsville" , a satellite city planned on vacant land owned, in part, by the collapsed Cambridge Credit Corporation on the western shores of Port Phillip Bay . In September 1974, Sunshine Migrant Services Pty Ltd was formed to develop the Cairnsville project. Its first goal was to raise $10 million to buy the land and many times that amount to develop it for low-cost housing for migrants coming to Australia. Other Sunshine projects included raising finance for an Australian-Chinese trade centre in Melbourne in co-operation with the Australian Chinese Association.

Philip Cairns was one of the original founding directors and shareholders of Sunshine Migrant Services.

Involved in the search for funds was William Williams , a former reporter of the Melbourne Truth newspaper who had set himself up as a company, Practical Public Relations. It is not known whether Williams was on the Truth when it began its investigations of Cowls in 1972, but he most certainly would have been aware of this investigation.(Age,July 2,1975)

Williams contacted Ian Joseph Richardson , a Melbourne director of a company dealing in the international commodities market. Richardson claimed to have access to $100 million in petrodollars. He was a director of Forestry Traders International Pty Ltd, which had dealings with Nugan Hand. Richardson put Williams and Philip Cairns in touch with Michael Cullen Simpson who claimed to have access to funds from Prince Saud Bin Fahad of Saudi Arabia but who required an official "loan letter" from the government. Nothing came of Cullen-Simpson's approaches.

Cowls then entered the loan-raising act. He first contacted Peter Dean of the London insurance company Stoic. Dean offered a loan of $44 million , but required Reserve Bank approval and a Commonwealth Bank guarantee on the loan (Age July 2, 1975). Cowls next turned to Melbourne businessman, E C (Ted) Gibson who was the Melbourne agent for Harry Gilham a London "financier" (SMH July 3, 1975).

And so "Uncle Harry" Gilham of 5 Half Moon St., London, entered the act.

Gilham: Bulldog Drummond's old address

Gilham, as he later admitted, had never anything to do with raising funds, let alone such huge sums. His office was right in the centre of London's Picadilly vice district and he told the media that , before he bought the building, it had been a brothel for many years. "Men still called around looking for women long after I moved in", he complained.(Aust. July 2, 1975).

Gilham's address was also that of the fictional hero Bulldog Drummond. Gilham's own role in the loans affairs rivalled anything a novelist could invent. Gilham claimed to have exclusive contact with the Saudi royal family for loans. But he was not content merely to raise the tens of millions required for the Sunshine project. Instead he claimed he could raise $2,000 million . This, he later told the media, was to be divided up as follows: $500 million for "industrial reconstruction" and $1,000 million for Connor's Department of Minerals and Energy and $400 million for "rural projects". Sunshine was to get a modest $1,200,000 share of the commission. This was again all part of Gilham's fantastic imagination. (Aust July 2, 1975).

Gilham's associate in London was David Gaskell whose claims rivalled those of Gilham. Gaskell operated from an office behind an interior decorator's shop "in the seedy end of London's New Kings Road". Gaskell said he knew of only three middlemen in London who had Arab contacts with money to lend and that he was one of them. (Sun. Tele July 6,1975)

In a moment of truth, Gaskell told the Sunday Telegraph : " Every loan man has an Arab. But an Arab with money is another proposition. They are thin on the ground". There were as many Arab con men as there were British, Australian or American ones!

Gilham and Gaskell , in fact, had no "Arab contacts with money", but they believed they knew someone who did, Group Captain Michael Stephens , a world war II flying ace. After the war, he went to work for Rolls Royce as a top-level salesman of its aircraft engines. Stephens was sacked by Rolls Royce and went to Paris to set up as an arms broker. He was said by Gilham to be "liaison officer for the Arab nations for their military procurement contracts".

QUOTE: Captain Michael Stephens sued Commerce International over an arms deal... Commerce International refused to pay...

Stephens claimed he could use these Arab contacts to organise the $2,000 million loans deal. He also claimed to have met Dr Jim Cairns in the plush Hotel Royal Monceau in May 1975 (Age July 2, 1975). Gaskell claimed Stephens set up a meeting with four Arab lenders in the Georges Cinq hotel in Paris, but Cairns was recalled and could not attend the meeting, embarrassing Gaskell who demanded (and claimed he received) an apology from Philip Cairns.

The "four Arab lenders" , if they ever existed, we can safely assume were as much con men as Gilham, Gaskell and Cowls.

It will not surprise readers to learn that in 1976 Group Captain Stephens was involved in an arms deal with Commerce International through its Brussels office. In 1976, Stephens was in two arms deals with one of Britain's largest arms dealers, John Ralph and Frank Cradock, the boss of Commerce International worldwide.

One deal was with Mauritania worth $1,136,000 and another with Upper Volta worth $304,000. The Mauritanian arms deal went through, but the Upper Volta one did not, although the money was paid. Cradock however refused to pay Ralph and Stephens the commissions they claimed on the deal. The case went to court and Cradock was ordered to pay 89,000 pounds sterling (Private Eye, undated).

And so once more, we find Commerce International is involved indirectly with persons in the loans affairs story.

In addition to Gilham, Gaskell, Stephens and Cowls, an Anthony Barron of Stockease Ltd was involved in the Melbourne end of the operation. Barron said he had been introduced to Harry Gilham by a Melbourne accountant Christopher Nath in February 1975 . (Aust July 4, 1975). Barron claimed he was keen on the project because Cowls invoked Dr Cairns' name to show high-level approval. Cowls also assured Barron and Philip Cairns that the Commonwealth Trading Bank was willing to guarantee a loan for Sunshine (that is, the original $44 million loan proposed by Dean). Cowls even named a "Mr Fred Upton, chief security officer" at the bank as having "integrated" the negotiations (Age July 2, 1975). No such guarantee existed and Fred Upton had no knowledge of approval but only of an application signed by Cowls and Philip Cairns (Aust July 4, 1975).

Some of the telexes from "Nephew Eric" Cowls to "Uncle Harry" Gilham were sent from a telex owned in Sydney by Laurence and Hanson Properties , a subsidiary of the Australian multinational, Kemptron Ltd. G V Cassisi, deputy managing director of Laurence and Hanson, said he "understood" Cowls leased time on the telex. However, Kemptron also claimed that Cowls had offered the company a cheap overseas loan on terms that proved to be "too good to be true". (Aust. July 4, 1975).

But Cassisi and Kemptron may have been more actively involved , as shown by part of a telex sent by Cowls to Gilham on May 13, 1975: "Based on review of data communicated by yourself and Cassisi by telephone, I have now informed Philip Cairns of the simple fact that , if said international loan to Sunshine Migrant Services is not admitted, then said international lending institutions will block all further public sector loans applied for by the said Commonwealth of Australia including the proposed loan of $2 billion".(Age July 2, 1975). Despite the grandiose claims made by Cowls in this telex, it seems clear that Cassisi was involved in some way in the loans deal and that it was not simply a question of a leased telex.

Eric Sear Cowls, Melbourne 1975

QUOTE: Jetcorp was formed after the takeover of Schutt Airlines... which had flown on contract for the CIA...

Kemptron was a company headed by Sir Arthur Grimwade , a person closely linked to Malcolm Fraser and the Victorian branch of the Liberal Party. Grimwade went to school with Fraser and remained a close personal friend thereafter.

In December 1973, Kemptron became a centre of controversy when the then NSW Labor Opposition leader Neville Wran accused the Askin government of wrong-doing when Sir Davis Hughes, Askin's appointee as NSW Agent-General in London, took a seat on a Kemptron subsidiary based in London. Wran charged that this was a "pay off" for favors Kemptron had received from Davis Hughes when he was an Askin Minister. David Hughes and Askin denied the charge, but a few days later, Hughes resigned from the Kemptron subsidiary.

Kemptron may well have been conned by Cowls into entering the loans negotiations with Gilham, as others undoubtedly were. However, in Britain Kemptron had the means to check out directly Gilham's credentials and would have been extremely naive not to have done so. Kemptron's participation in the Cowls affair may have been innocent, but Grimwade's relationship with the Liberal Party must raise suspicions that Kemptron played a more machiavellian role.

The Jetcorp affair: Schutt & the CIA

There is another, if much more indirect, connection between Grimwade and Kemptron and the loans affairs. In 1981, Grimwade persuaded former Fraser Minister Tony Staley to become chairman of Jet Corporation of Australia commonly known as Jetcorp. Jetcorp was formed in 1980 after it had taken over Schutt Aviation, a small-scale operation at Melbourne's Moorabin airport which gained the licence for the sale of Israeli- produced Westwind executive jets (SMH Oct 16 1982).

For many years Schutt Aviation had operated in Singapore and, in the early seventies, employed Christopher Sundt Brading there. Around 1975, Arthur Schutt , the founder of the firm returned to Melbourne , while Brading stayed on in Singapore to head his own company which nevertheless remained close to Schutt. At this time Brading had made an agreement with Commerce International to share office space -- and arms deals.

Schutt Aviation in Singapore had flown for the CIA's Air America on a contract basis and remained in close contact with the CIA thereafter. When Brading returned to Melbourne, he shared offices with Schutt Aviation and worked closely with Ted Sent who, with Graham Schutt, operated Schutt Aviation.

The Jetcorp affair blew up into a major scandal in October 1982, when Labor backbencher Barry Cunningham alleged a syndicate headed by Grimwade engaged in tax evasion when a jet they purchased was marked new when imported. In fact, it was second-hand and should not have been eligible for an investment allowance that was claimedfor it as new.

Further investigation by Staley revealed even greater possible fraud. In October 1982, Ted Sent, Trevor Huttley and Jetcorp director Jon Wilson were charged with defrauding Jetcorp investors. Huttley was a major figure in the Costigan Royal Commission's investigations into tax evasion. He was the "Melbourne man" of Brian James Maher, a major organiser of bottom-of-harbor schemes and other Tax evasion frauds. He was sentenced to five years jail as this book went to press. (SMH Oct 15, 1985 and NT October 10, 1982).

Grimwade was not, in the end, charged with fraud, although he expressed some indignation that Staley "felt I was involved in any way". (SMH Oct 16, 1982). Despite his denials, Grimwade felt obliged to resign from a host of public posts and from directorships in his own companies.

Many questions remain unanswered in the Jetcorp affair. Was it from the very beginning a fraud and confidence trick, as well as a tax evasion racket organised for its founders ? Was Grimwade as innocent as he proclaimed, or was he allowed to retire gracefully from public life because of his friendship, dating from early childhood, with Malcolm Fraser? Were there earlier connections between Grimwade, and Schutt Aviation as well as Brading -- and the CIA ?

And is there any closer connection between the Jetcorp affair and the loans affairs ? Was it simply coincidence that Schutt and Brading were working closely with Commerce International, which was involved indirectly through Stephens with Kemptron in the Cowls affair? We are unlikely to find answers to these questions. Grimwade is such a tall poppy that he is almost untouchable.

It will not surprise readers to find that Sir William Gunn entered into the Cowls affair in passing. According to Anthony Barron, his associate in Stockease Ltd, Maureen Clark met with Gunn in London in May or June 1975 to check out whether the Reserve Bank had approved the loan for Sunshine.(Aust.July 4, 1975). Whether Gunn's involvement went deeper is not known. But given his close links with Doug Anthony, Bjelke-Petersen and other National Country Party leaders as well as his later involvement in the Transia and Fancher affairs, it cannot be excluded that he was more deeply involved.

McDonald in Sunshine scheme & Nugan Hand

Among those involved in the Sunshine project was Macfield Corporation , a Sydney property development firm owned by Bruce J McDonald. Macfield controlled the land chosen for the Sunshine project, as agents for the receivers of Cambridge Credit, and was intimately involved in the whole Cowls affair. After the fabricated Cowls telexes had been published , Bruce McDonald still tried to maintain the fiction that the whole operation was genuine. McDonald said he had no doubt that the money for the project had been obtained and was available in London. "I know the money is there, we have checked with a member of the Reserve Bank". (Aust July 4, 1975) -- with Sir William Gunn, no doubt ! "All that is required", McDonald continued, "is a number of guarantees from the

QUOTE: Bruce McDonald and Macfield were also involved in the Sunshine project... at the time they were involved with Nugan Hand...

Commonwealth Trading Bank".

McDonald was "generous" to Philip Cairns: "He was not out to create some kind of socialist utopian village, but a great, balanced development ... We saw Mr Cairns as an idealist, just like his father".

In October 1975, McDonald won Liberal pre-selection for a blue-ribbon seat on Sydney's North Shore, beating the former NSW Police Minister John Waddy. McDonald won the seat in the 1976 elections, although the Liberals narrowly lost government to Wran. After the decimation of the Liberals in NSW in 1978, McDonald eventually became Liberal leader, only to take the Liberals to an even more disastrous defeat at the hands of Wran in 1981. McDonald lost his own seat to an independent in the process.

A major factor in his crushing defeat was the revelation of his close association with Nugan Hand. This led him to actively defend Frank and Ken Nugan when they got into trouble in 1977 over the stacking of a shareholders' meeting through the services of Fred Krahe and other ex-cops turned criminals.

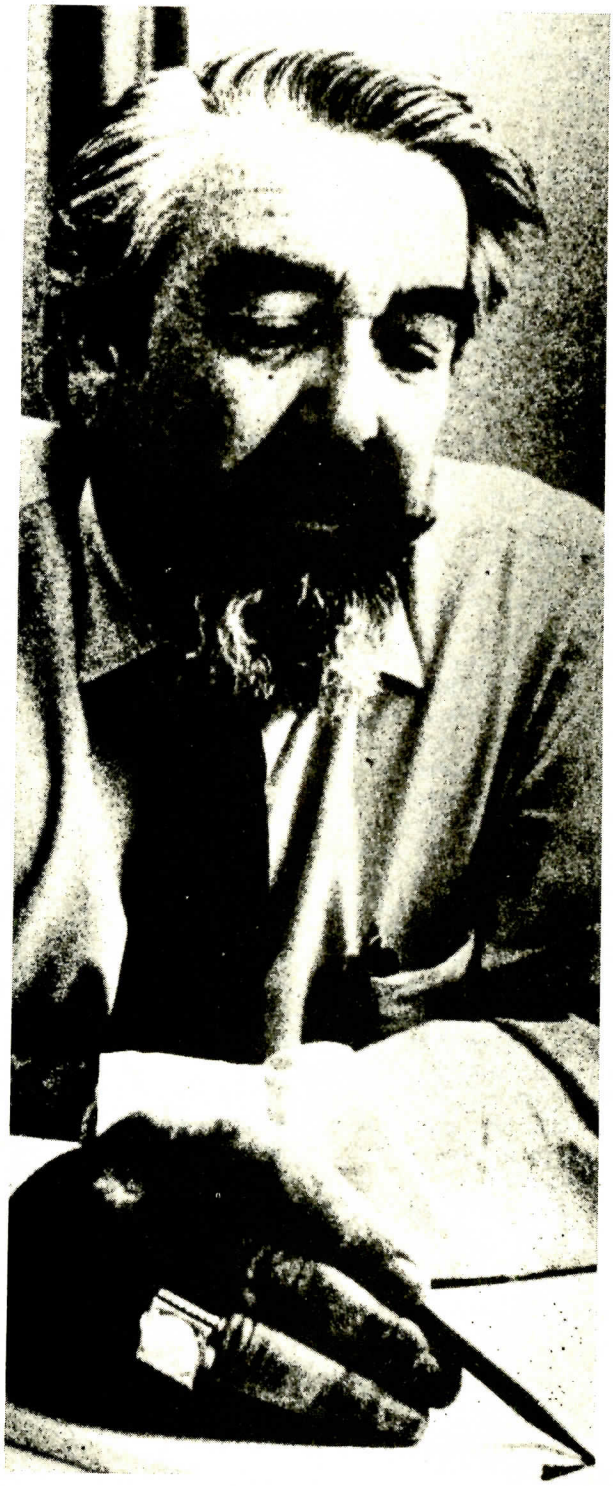
In 1975, Macfield and McDonald were involved in a "town house development" on the North Shore with Nugan Hand and a Dr John Ogden of Toowoomba. On Frank Nugan's advice, Ogden paid $35,000 to Macfield as his share of the development. Macfield paid $34,500 to Nugan Hand and Ogden then terminated the agreement with Macfield for the development , apparently losing $35,000 for tax purposes. Macfield kept the $500 and after Nuagn Hand took its commission, the remainder found its way back to Ogden's account with Nugan Hand. Ogden avoided tax on the $35,000 at the cost of commissions he paid to Macfield and Nugan Hand. In the end, Ogden lost nearly $600,000 which he had placed with Nugan Hand mainly for tax evasion purposes, when the "bank" collapsed.(NSW CAC Nugan Hand report pp 263-267).

In October 1977, Liberal MLA John Dowd launched a major attack on Ken and Frank Nugan and Nugan Hand in NSW parliament. On November 11, 1977, McDonald sprang to the defence of the Nugans and clashed with Dowd, his party colleague in parliament. On November 7, 1977, a cheque drawn on Nugan Hand for the sum of $20,000 had been made out to Macfield. Macfield did not present the cheque for payment but "whether it was replaced by another form of payment is unknown". (NSW CAC report on Nugan Hand page 266).

The Ogden-Macfield-Nugan Hand tax evasion transaction took place in May and June 1975, in the midst of the Cowls loans affair. McDonald and Frank Nugan maintained very close contact until the latter's suicide. And McDonald's business partner, barrister W G Hodgekiss, remained Michael Hand's lawyer even after he had fled from Australia. He maintains some contact with Hand even now. And Michael Moloney, was solicitor for McDonald , Hand and Houghton.

But there may well have been a direct link between Nugan Hand and McDonald in the loans affairs. it is worth quoting in full the relevant section of the NSW Corporate Affairs Commission report on Nugan Hand in this regard (page 266) :

"In addition copy correspondence has been identified between Macfield Corporation Limited over the signature of a person represented to be ' Bruce J McDonald' addressed to Mr F J Nugan of Nugan Hand Limited dated 21 July 1975, referring to discussions with Messrs. FJ Nugan and Shaw and requesting a photocopy of correspondence from Ismail Affara, Financier, of Lebanon, addressed to Mr McDonald of



Philip Cairns, Melbourne , 1975.

QUOTE: From beginning to end, the Cowls affair was a set-up, a conspiracy against Jim Cairns.. in the end it was a dead-heat with Harris..

the Macfield Corporation Limited".

In July 1975, letters from "Middle East financiers" were much in demand . It would be fair to conclude that the Affara letter was one of these , relating either to the Cowls affair or some other loans affair. It is interesting that the Affara letter was addressed to McDonald , but was sent to the Nugan Hand "bank" which was probably acting as an intermediary of some sort. At the very least we can assume that Frank Nugan was fully aware of the main outlines of the Cowls affair. He may also have played more than a spectator's role.

Cowls admits telexes fabrications

From beginning to end, the Cowls affair was a set-up, a conspiracy against Jim Cairns. By late June, Harry Gilham in London was engaged in auctioning to The Age and the Australian his stock of telexes to the highest bidder. The Australian bid 7,000 pounds but was outbid by the Age which clinched the deal when the Australian's representative was unable to reach Rupert Murdoch to see if he should bid higher.

The rush to sell was probably due to the inside knowledge that Gilham and Cowls had of the stage reached in the Harris loans affair. In the end, it was a deadheat. The Cowls-Gilham telexes hit the front pages on the same day that the March 7 Cairns letter to Harris, agreeing to a commission, also hit the front pages, forcing Cairns' resignation.

The next day, however, the papers contained a statuatory declaration by Cowls admitting that he had fabricated the incriminating information contained in the telexes which had featured on the front pages the day before. In particular, he said the claim of the division of a commission and reference to Philip Cairns getting $600,000 were fabrications. (SMH July 3, 1975). Jim Cairns, mainly because of the Harris affair, was now a backbencher. But the mud of the Cowls affair also stuck.

Like all con-men and pathological liars, Eric Sear Cowls no doubt mixed truth with fiction. When such people tell their tales, the fiction so stretches credibility that everything they tell is dismissed as lies. But within the wild tales there is often some truth, which must, however, be confirmed by independent evidence.

What was the truth and what fiction in Cowls' claims of involvement with the CIA and other spy organisations ?

Cowls, for example, did produce a "red covered travel document purporting to be a special passport issued by the US President". (DM July 4, 1975). Diplomatic passports are commonly-red covered, as are other special travel documents.

But the circumstantial evidence is perhaps more interesting. Soon after Cowls arrived in Australia, he targetted Philip Cairns for special attention, and through him Jim Cairns. Cowls turned his attention to Jim Cairns himself after Labor's victory in the december 1972 elections.

As early as 1972, before the elections, and when Cairns was shadow Minister for Overseas Trade, Cowls asked him to help obtain a federal subsidy to open an international trade centre (presumably the Australian Chinese Trade Centre project). Cowls applied to the Commonwealth Development Bank for a grant of $500,000 for the centre project, but this was refused. (DM, July 4, 1975).

At this time, Dr Cairns was the acknowledged leader of the ALP leftwing. He had been the acknowledged leader of the Viet Nam Moratorium movement. He quickly became a major target of CIA and White House hatred, as alarm soon spread about the direction the Whitlam government was following.

After the April 1974 elections, Cairns was elected deputy leader of the ALP and thus deputy Prime Minister. It was precisely after this that Cowls increased his concentration on Dr Cairns, and, in October 1974, got his agreement to use his house for his wedding. A few weeks previously the Sunshine project had been launched.

In the light of subsequent happenings, with Cowls using the affair to target Jim Cairns politically, it is logical to ask whether Cowls from the beginning was acting for an intelligence service.

Of course, it may have been that Cowls befriended the gullible Philip Cairns simply for his links with Dr Cairns , whom Cowls hoped could help him with his different "business projects".

But even if we accept this possibility, the Cowls affair has all the hallmarks of an intelligence operation. In other words, if Cowls did not begin his contact with Cairns as an intelligence operation, by late 1974 it had become one.

But, above all, Cowls was and is a con-man, operating in the international arena. Such people notoriously have contacts and do jobs for organised crime and intelligence services.

The Cowls affair, we can conclude with some certainty, was an intelligence operation, to destroy the CIA's perceived arch-enemy, Dr Jim Cairns.

5. The Transia Affair

On May 22, 1975, the ABC's TV current affairs program , This Day Tonight, entered the "loans scandal" arena with its own scoop. The program alleged that Treasury was negotiating a large loan through Transia Corporation Ltd, a small Sydney-based merchant bank. This Day Tonight was wrong.

Transia first approached the government early in 1975 with a proposal for loan raising but in February Treasury told Transia that the government did not wish to take further action on this proposal.

Transia tried once more. In April, Sir William Gunn contacted the Minister for Northern Australia, Dr Patterson, as the Treasurer was unavailable. Sir William Gunn proposed that Transia should raise $US 3,700 million in loans funds. On April 20, the permanent secretary of the Treasury, Sir Frederick Wheeler told Gunn that the government would take no action on this Transia proposal.

But Transia made a third approach about this time and ended up dealing with Rex Connor's Department of Minerals and Energy. Transia was unable to satisfy the government's requirements as to verification and identification of funds and nothing eventuated.

The Transia proposals would hardly be worthy of mention, except for the background of those involved in Transia at the time and the scandals involving that company which have since been exposed.

Gough Whitlam seized on the Transia offer when he spoke at the parliamentary special session on the loans affairs on July 9, 1975: "Papers relating to Transia Corporation could be tabled, but I would be reluctant to publish them. Many financial institutions are mentioned. People in the financial world are named and their standing commented on. The papers relate to transactions in a delicate area of business, and companies and individuals are entitled to feel, in dealing with the government, that the normal confidentiality will apply... Does the Leader of the National Country Party (Mr Anthony) want Sir William Gunn's papers to be tabled? Does he make any charge against Sir William Gunn ? "

Naturally, Anthony did not, and the matter was left there. Sir William Gunn was, of course, a leading National Country Party figure. Moreover, he was also on the board of the Reserve Bank and had been chairman of the Wool Board for many years. He was Australia's best known figure in the Primary Industry bureaucracy.

Gunn was a shareholder in Transia, while his son, Bill Haydon Gunn, was a director. In approaching the government on behalf of Transia, he was promoting his own business interests, in a field where there could well be some conflict of interest with his membership of the Reserve Bank board.

But the Gunns were not Transia's only connection with the Liberal and National Country parties. Another Transia director in 1975 was Phillip Sydney-Jones who was also the treasurer of the NSW Liberal Party and a close friend of former NSW Liberal Premier, the notoriously corrupt Sir Robert Askin.

Another director was Bryce Geoffrey Killen, a cousin of James Killen, who became Fraser's Minister for Defence in 1976. Bryce Killen held numerous directorates in 1975, including in rural property and development companies. He was also a director of Farmers and Graziers Co-op . Ltd, which was involved a few years later in a major scandal. In 1984 this finally led to its managing director, Phillip Smart,

QUOTE: Bryce Killen's company hired Murray Clapham, a long-time ASIS officer in Jakarta... who had liaised with the KAMI students in 1966...

being jailed for massive fraud.

But perhaps Bryce Killen's most interesting connection was through his company, Airfast Helicopter Utilities Pty Ltd (Group). This company is one of the largest helicopter leasing companies operating in Indonesia. In Jakarta, PT Airfast , a subsidiary of Bryce Killen's Australian company, hired one Murray Clapham as its consultant.

Murray Clapham is one of those mysterious figures whose links with Australian intelligence are long-standing. In 1965-1966, Clapham was an officer of the Australian Secret Intelligence Service (ASIS). Clapham liaised for ASIS with the extreme rightwing students in KAMI, the student group which spearheaded the anti-communist massacres of between 500,000 and 1,000,000 Indonesians after Suharto seized power. Clapham operated under diplomatic cover from the Australian Embassy in Jakarta. The role of the CIA in promoting and encouraging the KAMI students in their massacres is well-documented. Naturally, Clapham worked closely with the CIA, as does ASIS as a whole.

Later, Clapham was to leave ASIS, at least officially, and set up in Jakarta as a consultant whose services were for hire to Australian and multinational companies. During his work for ASIS, he had built up very close relations with the Indonesian generals. He is reputed to be the best informed Australian on Indonesian affairs and to have the best contacts of any Australian among the Jakarta elite.

Clapham feeds information to ASIS, although he has formally left that organisation. But whether he serves ASIS today as a loyal servant, or feeds it information that Indonesian intelligence wants it to have, is a real question ....

Acting for a Singapore company, Airtrust, Clapham sued Chris Brading in 1979 for money owed and sent him bankrupt. In turn, Brading was closely associated with David Pethard, John Singer, Norman Lewis and Walter Jockel, whose role in the Harris loans affair we have already touched upon.

Interestingly enough, Brading's dealings with Airtrust concerned the purchase of a helicopter engine from the CIA's own airline, Air America. Brading messed up the purchase and Airtrust never got back its deposit. Through Clapham, Airtrust then sued Brading. (Brading bankruptcy hearings, Melbourne, December 8, 1981).

Clapham's link with Bryce Killen may seem very tangential when considering the Transia loan affair. However, when seen in the light of his other connections, it may take on more significance.

When Nugan Hand collapsed in 1980, one of its subsidiary companies was Illarangi Pty Ltd, a company used as a conduit for "black money" and other dubious deals. Illarangi went into liquidation and among its unsecured creditors was Transia Corporation which was allegedly owed $78,000.

Transia was supposedly a competitor of Nugan Hand, involved in the same kind of shady money deals as Nugan Hand. For this reason, Transia's managing director Garry Kellar Allen was approached by a friend of Narcotics Bureau officer Philip Ambrose Bailey in 1976 to provide the Bureau with information on how merchant banks operated, so that Bailey could better investigate Nugan Hand. Allen agreed, and was given a code name as an informant of the Bureau.

In 1977, Allen got Bailey's permission to approach his friend, a money courier Ronald Pulger-Frame who had just begun working for Nugan Hand, to see whether Pulger-Frame could provide any information on Nugan Hand's heroin dealings. In November 1977, Allen met Pulger-Frame in Hong Kong and told him about the Narcotics Bureau investigation into Nugan Hand, advising him to leave Nugan Hand immediately. Pulger-Frame immediately informed Frank Nugan who went to see the Bureau's chief Harvey Bates. Bates then had an investigation put in cold storage, allegedly because of the leak to Nugan. (Stewart Royal Commission report on Nugan Hand (pages 25-27). It was at this time or soon after that Transia deposited $78,000 with Nugan Hand's Illarangi, or was simply creditted with that sum for services rendered...

Because Transia's 1975 loans proposals were rejected firmly by the government, it is of course only possible to speculate about Transia's motives. However, the connections between Transia and the Opposition parties and other forces outlined above must give rise to suspicions that this was part of yet another attempt to set-up the Whitlam governmen

Today Transia is under investigation by the NSW Corporate Affairs Commission, after the Costigan Royal Commission found it was involved in the multi-million dollar Hamidan fraud.

Transia officers Roger Huntington and John Arthur Boyden played key roles in the fund-raising by Hamidan Pty Ltd, supposedly for oil and gas exploration on the north-west shelf. Boyden arranged for a $20 million loan in Singapore which was borrowed and repaid on the same day, to cover the fact that the Hamidan money came from Australia. Transia was to receive a $100,000 commission.

Boyden also chaired a meeting of 20 top tax evasion scheme operators in Sydney which aimed at monopolising the market and co-ordinating their associate of Khemlani's solicitor John Licardy in 1975.

When Boyden and Huntington were involved in the Hamidan and other tax evasion schemes for Transia in 1980, Sydney-Jones, Killen and Gunn were no longer associated with the merchant bank. Nevertheless, the fact that Transia became involved in such schemes and had dealing with Nugan Hand must cast doubt on Transia's purpose in proposing to raise petrodollar billions for the Whitlam government.

Perhaps the single most important connection of Transia was with Sir William Gunn. As we have seen previously, Gunn appeared marginally in the Cowls and Harris affairs. He will reappear later in the Fancher affair. It was Gunn whom Lionel Bowen believed had helped fund Khemlani when he decided to provide ammunition to Lynch and Howard. Gunn is one of those "big names" which continually reappear in the loans affairs conspiracies ...

6. CIA bank gets in the act...

For those who still doubt whether the CIA was really involved in the loans affair conspiracy, there is one outrageous case which puts it beyond doubt, and draws in a Nugan Hand connection to boot.

On July 8, 1975, the media reported that the Mercantile Bank and Trust Company, based in Freeport Bahamas, had issued a letter seeking $US 4,267,365,000 "for and on behalf of the Government of Australia". At no stage did Mercantile claim to be acting officially on behalf of the Australian government.Nor did they make any effort to obtain any Australian government documentation. Instead, they simply implied that they were acting for the Australian government . (Daily Mirror, July 8, 1975). Moreover, they added on a huge $267 million as their proposed profit from any such deal !

The Mercantile "loan proposal" was perhaps the most patently insincere of all. But it had its purpose: yet another "piece of paper" and another "scandal" to fill the newspaper pages for a couple of days, reinforcing once again the aura of scandal around the government.

Mercantile Bank and Trust was set up and owned by Colonel Paul Helliwell who had headed the Office for Strategic Services (OSS) in Kunming China, during World War II. OSS was the predecessor of the CIA and many OSS "China hands" played crucial role in establishing the CIA and heading many of its operations. Helliwell was one of them. But Helliwell soon went into private business, working first for the American Bankers Insurance company, owned by James L King, who was also a director of the mafia-linked Miami National Bank (Great Heroin Coup p 131). Helliwell soon had his own network of banks, including the Castle Bank in the Bahamas, which collapsed after investigators from the US Internal Revenue Service (IRS) discovered it was laundering millions of dollars for the mafia, for entertainment and big business figures, in a tax evasion scheme. (WSJ April 18,1980). IRS found that some $250 million in tax evasion money had been deposited in Castle Bank. However, IRS and the Justice Department were warned off by the CIA and told that investigations of Castle Bank would "endanger national security". A Castle Bank employee told the Wall Street Journal that there was a "CIA account" with the bank.

Helliwell had been the paymaster for the CIA's abortive invasion of Cuba in 1961. Soon after the collapse of the Castle Bank in 1976, the Nugan Hand "bank" set up its office in the Cayman Islands,another tax haven in the Caribbean.

In 1973, Helliwell had sold another of his banks, Mercantile Bank and Trust to two former associates and OSS "China hands", but continued to have effective control over Mercantile's operations. In 1977, Mercantile's owners discovered that the bank was an empty shell, practically all its assets consisting of sham loans. A former CIA official told Jim Drinkhall of the Wall Street Journal (February 17, 1981) that if "outsiders" "poked around" in Mercantile's books "they could unravel a trail to the intelligence community". The bank had performed some functions for the CIA, he said.

One can ask whether Mercantile's letter of 1975 asking for loans to be raised for the Whitlam government was such a function for the CIA, if on a small scale. Certainly, everything about Mercantile, its post- 1973 owners and Helliwell (who died in 1976) points to it being to all effective purposes a CIA bank.

The liquidator of Mercantile launched a civil action against the multinational accountancy firm, Price Waterhouse and its office in the Bahamas. Price Waterhouse was alleged to have covered up the sham loans when its Bahamas office audited Mercantile's

QUOTE: Mercantile was closely linked to the CIA and the mafia, if it was not a CIA front pure and simple...

accounts. Moreover, the court suit alleged that Price Waterhouse had links with the CIA in the Bahamas ! A former CIA officer named ER Fingland as the person with CIA connections. Fingland was a top official of Price Waterhouse Bahamas until 1970, when he then became a director of Mercantile Bank. He maintained much influence in Price Waterhouse Bahamas office, while managing to see "Mercantile's books were specially handled," the former CIA officer told the Wall Street Journal .

When Mercantile Bank and Trust wrote the letter seeking $4,267 million for the Australian government, it was formally controlled by General George Olmstead, an old OSS China Hand who operated the International Bank of Washington. Olmstead had bought Mercantile from his former OSS boss, Helliwell in 1973, but had maintained many close links with Helliwell and Castle Bank. Olmstead is alleged to have channelled millions out of the Dominican Republic for the country's brutal dictator Trujillo, a favorite of the CIA which trained his police force. (Parapolitics USA, no.1)

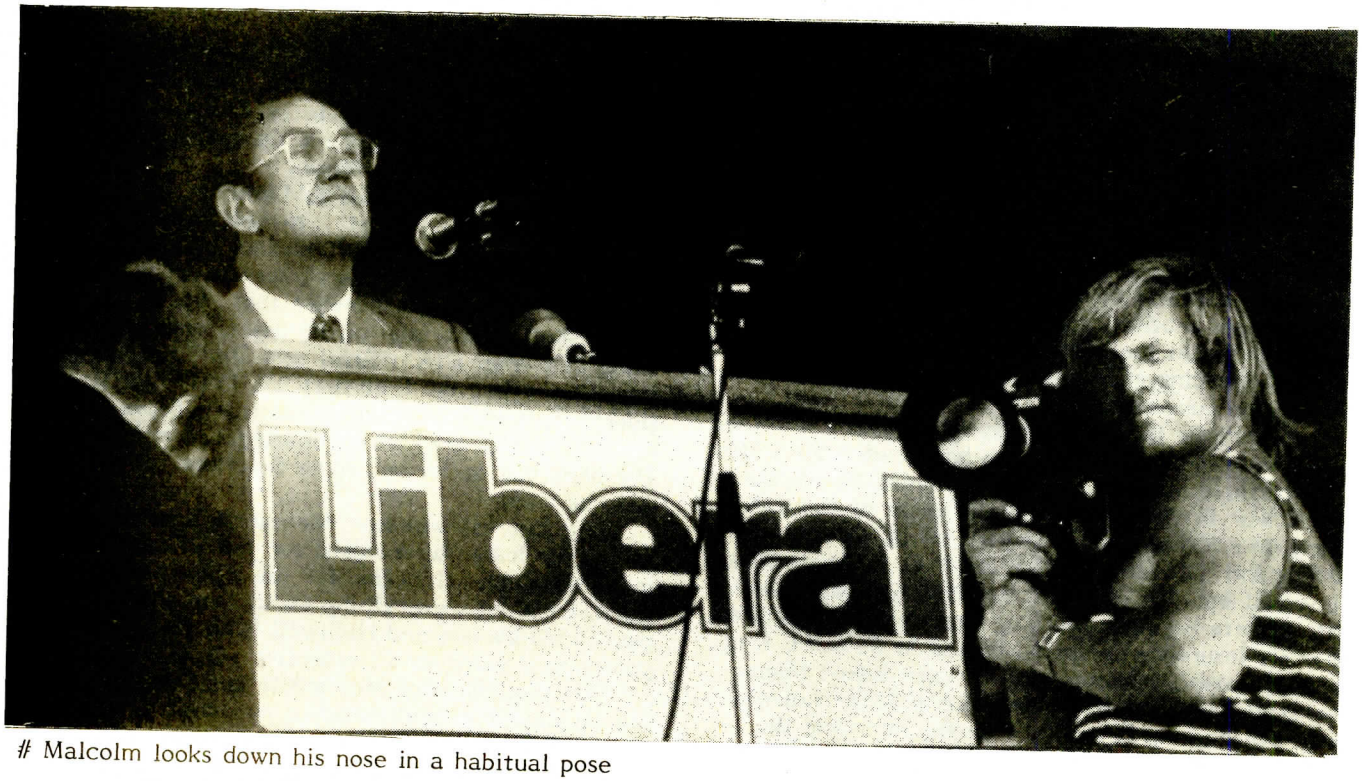
Price Waterhouse's Bahamas branch, through a sub-office in the Cayman Islands, a British colony and tax-free banking centre, were also auditors for the Nugan Hand "bank" in the Caymans. This was a bank on paper only. Nugan Hand maintained no office there, only a postal address. The Caymans branch was mainly used for the worldwide shuffling of deposits to both benefit Nugan Hand's drug and tax evasion customers and to channel off funds for the private use of Nugan Hand's principals. Much of this money was channelled into other hidden Nugan Hand accounts through sham loans to another fake Nugan Hand company in Panama (the same technique used by Mercantile) Price Waterhouse had approved all these transparent manouvres without any queries.

It was only in 1979 when Price Waterhouse was in big trouble in the Bahamas over the Mercantile scandal, that Price Waterhouse's US headquarters began to clean up its doubtful Bahamas operations. In 1979, a new Price Waterhouse auditor refused to certify Nugan Hand's Cayman Islands accounts.

The Cayman authorities required a clearance from recognised auditors before they renewed any bank's authority to operate. The refusal of Price Waterhouse to pass their accounts was a major cause of the collapse of Nugan Hand. Shortly before his suicide, Frank Nugan went to the Caymans to meet the new Price Waterhouse auditor , only to tell him that he had "forgotten" to bring any of the extra documentation the auditor required on Nugan Hand's operations before approving its accounts. (WSJ, August 26,1982). Nugan left without the auditor's clearance of Nugan Hand Caymans -- something which would have destroyed Nugan Hand if the Caymans' banking licence was withdrawn. A couple of weeks later, as the Caymans deadline grew closer, Frank Nugan blew his brains out.

The Hong Kong liquidators of Nugan Hand, who are handling the Caymans business, are considering legal action against Price Waterhouse in the Bahamas.

What is very clear is that the Mercantile Bank and Trust which proposed to raise $ 4 billion plus a hefty commission in 1975, was closely linked to the CIA and the mafia, if it was not a CIA front pure and simple.



Malcolm looks down his nose in a habitual pose

7. Those other loans affairs

In early July 1975, Rudolph Peter Barbarich, a Sydney "businessman" joined in the disinformation campaign around the loans affairs. He wrote to Prime Minister Whitlam demanding $3,750,000 as commission for money he claimed he had raised for the government (Aust. July 4, 1975). Barbarich naturally had raised no money and was owed nothing. He did, however, get $5,000 from Philip Lynch . This was for a copy of a letter sent to the Minister for Manufacturing Industry Lionel Bowen, by the Minister for Minerals and Energy, Rex Connor, dated September 16, 1974. In this letter, Connor indicated interest in pursuing with Barclays Australia (a merchant bank owned by the giant British bank), a proposal for a loan of $240 million for the construction of a gas pipeline. The letter was completely innocent and Barclays totally reputable, but in the atmosphere of the time, any loan raising was seized upon as being tainted with scandal.

As Bowen told parliament on July 9, 1975, this was not the first time Barbarich had offered governments loans. He had done so with the previous Liberal government and had been rejected by them. Bowen pointed out that Barbarich had a criminal record and had also been in a mental asylum. He complained bitterly that Barbarich had dragged his (Bowen's) former law partner Mr Gerathy into the "scandal". Gerathy's only connection was that in November 1974 he had appeared for Barbarich in a bankruptcy hearing involving $20,599 owed by Barbarich to the Taxation Department and St Vincents hospital in Sydney. Bowen's response on July 9 1975 led the media and Lynch to drop Barbarich. But he had served his purpose.... Another headline in Murdoch's Australian suggesting Bowen was involved in doubtful loan-raising, another leaked letter... No doubt the particular case was forgotten by the vast majority of Australians within a few days, but in the collective subconscious the impression of an aura of scandal and illegality was further reinforced by the Barbarich affair. Lynch must have been well satisfied with what he got for his $5,000....

Barbarich in his July 1975 letter to Whitlam claimed the $500 million loan "was indeed procured and ready to issue through me via Ted Gibson, agent for the principal broker, Harry Gilham of 5 Half Moon St., London whose company Heartsview Ltd was effecting same... " (Aust July 4, 1975).

Gilham and Gibson were, as we have seen, principals in the Cowls loans affair. Whether Barbarich actually had any dealings with them, or whether he simply dashed off his letter to Whitlam after reading of the Cowls affair in the media on July 2, is not known. But as Gilham was such a con man, it is not excluded that he got together with the like-minded Peter Barbarich.

Significantly, after his letter to Whitlam was published, Barbarich was able to clear his debts with St. Vincents Hospital...

One cannot help feeling sorry for Barbarich. He died on May 20, 1977, a victim of his own paranoia and madness.

Barbarich was declared bankrupt in late 1975. The hearings into his bankrupcy in Sydney are sad but amusing. (Sydney, Registrar of Bankruptcy , 526-75). Barbarich told the registrar that through Harry Gilham he raised $500 million on orders from Lionel Bowen in a period of only seven or eight days. Gilham lived in the "next house to Buckingham Palace" , Barbarich

QUOTE: Among the inventions claimed by Barbarich was a "hydrogen water power invention"... If only he had told Bjelke-Petersen...

claimed.

He told the registrar that he had a severe cancer gained from working on his "uranium oxide plant" at Port Pirie, South Australia. He built the plant with his own hands and wanted to make sure that "the communists would not get it, the unions if you like. It was designed by American intelligence or special services... It is the only plant of its kind in the world (which was true!) "

Among other inventions claimed by Barbarich was a "hydrogen water power invention". If only he had told Bjelke-Petersen, he would now be famous and rich !

Barbarich bounced cheques for $50,000 in another operation. He did however have some dubious claims to money from Clarence Oil and Minerals NL and North West Oil and Minerals ... two very dubious outfits launched in the mining stock exchange boom, (Money Miners, p 157).

Such was the man that Philip Lynch paid $5,000 for a piece of paper that he could have obtained for free from Lionel Bowen, if he had asked for it...

Bellamy & International Funding Affiliates

On December 18, 1974, Keith Reginald Bellamy approached the Labor MHR for Broken Hill, Lou Johnstone, saying that he had sources willing to lend the Australian government $1,000 million. Treasury replied that it had strong reservations regarding the proposal and the approach went no further.

On May 8, 1975, Bellamy , with a Mr Pavy, approached Labor MHR John Armitage with another loan proposal. Armitage introduced them to the Treasury which soon after informed the Treasury that they were "both well known carpetbaggers". Again, the offer was not taken up. (Senate, July 9, 1975).

Treasury was undoubtedly right. Bellamy in 1970 was one of the founding directors of International Funding Affiliates Pty Ltd which was involved in the Harris loans affair, through Bracey, Hamilton and Cohen.

Bellamy did not publicise his efforts to obtain government approval for loan raising, nor is there any sign of him being involved in other loans affairs. Recording his loans proposals here is simply of use in showing that the mysterious International Funding and Insurance Brokers in the USA and its branch here made other attempts through Bellamy to get into the loans affairs act.....

Neil Olhsson

Neil Ohlsson is one of those who tried to get a piece of the action in the loans affairs who has gone on to bigger things.

In April 1975, Ohlsson sent a proposal to the government through Allen Allen and Hemsley from Switzerland offering several billion dollars in loans funds. The Treasury investigated and rejected the offer describing the loan offer as "funny money" and Ohlsson as a "fringe operator". (NT, June 21-27, 1985). At around the same time, Malcolm Edwards who was to become Ohlsson's partner in various ventures soon after, was in contact with Richard Todd, of whom more in the chapter on the Fancher affair. On October 1, 1975 , Edwards telexed Todd confirming funds via Moscow Narodny Bank ... Edwards told the National Times he recalled the loan proposal, but that it was for other Australian projects including a pipeline for gas...

Ohlsson in 1972 was a director of the Dollar Fund of Australia, where he knew Bela Csidei and Fitz Schuller. In May 1976, Ohlsson travelled with Csidei to San Francisco where Csidei introduced Ohlsson to mafia figure Rudy Tham and Jimmy Fratianno. Various schemes were discussed among them, Ohlsson told the National Times (June 21-27, 1985) Ohlsson stopped on as "financial adviser" for the schemes and left soon after. At this time, Murray Riley was also a regular visitor to see Tham and Fratianno, including to organise drug importations into Australia.

In 1978, Csidei and Riley were sentenced to lengthy jail terms, but Ohlsson went on to form a partnership with Edwards through Essington Ltd . Ohlsson spent much time in Hong Kong where their company Cyclades Ltd linked up with large Japanese interests and received large fees from them. Essington then went on to form lucrative joint enterprises with the large Japanese construction firm Kumagai Gumi, Kerry Packer etc..

However the Costigan Royal Commission found evidence suggesting that Essington and its principals were involved in Nugan Hand bank, tax evasion schemes and money-laundering.

The National Times this year has spent much time and space investigating Essington, Edwards and Ohlsson. These investigations have led the Victorian ALP Cain government being obliged to squeeze Essington out of a major development project surrounding the Museum station project (curiously it seems some of the land held by the Zeus syndicate headed by David Pethard in 1975 is involved in this major development).

There is no space here to summarise all the dubious operations involving Edwards, Olhsson and their joint companies which have been exposed by Wendy Bacon in the National Times (see also NT August 23-29, 1985).

Sufficient for us to note Ohlsson's connections with Tham, Fratianno and Riley around the time he was offering to raise billions for the Whitlam government -- that puts him among many other loans raisers with similar connections.

8. The Fancher Affair

Premier Joh Bjelke-Petersen , Queensland parliament December 9, 1975:

"I am now in possession of considerably more material which satisfies me (that) ... in one deal alone, it is now clear that two ministers of the Whitlam government together with a number of other people were due to receive staggering sums of money as a consequence of secret commissions and kickbacks..."

Russell Hinze (interjecting): " Murphy will be a surfie by the time we're finished with him".

x x x x x x x x x x

Four days before the December 13 elections, Joh Bjelke-Petersen called a special session of the Queensland parliament to hear some "dramatic revelations". But beyond the general claim quoted above, he produced no evidence whatsoever of "secret commissions and kickbacks". He moved quickly to gag any debate. He blocked a move by Labor Opposition Leader Tom Burns to call before the bar of parliament for examination one Henry Wiley Fancher, whom Burns described as a "very shady financial dealer". Fancher had claimed to have the evidence of kickbacks and secret commissions,

It cannot be excluded that Fancher and his associate John Bracey did provide Joh with some documents purporting to compromise "two ministers of the Whitlam government". But if Bjelke-Petersen did have any such documents , they were forgeries, produced to provide the final coup de grace to any chances the Whitlam government had of re-election. In the end, no documents, forged or otherwise, were ever produced.

And from the mouth of Russ Hinze, we can assume that Lionel Murphy, then a member of the High Court, was one of the major targets of the Fancher affair.

On August 15, 1975, Bjelke-Petersen appointed Wiley Fancher to negotiate an overseas loan for the Queensland meat industry. Fancher was an American who had settled in north Queensland some years before. He had quickly become friendly with top National Country Party leaders . For some time he was a business associate of Sir William Gunn who played a role in the Transia and other loans affairs.

When Fancher was appointed to the exalted position of negotiator for a multi-million dollar Queensland government loan-raising endeavor, he was already in deep financial trouble.

On October 25, 1975, the Supreme Court of Queensland wound up Fancher's company, Mount Mulgrave Pty Ltd, which operated his Atherton Tablelands ranch. Mobil Oil had petitioned the court for a debt owed it by Fancher's company of $2,031. Fancher had also been sued in the Townsville court for arrears in rate payments and, according to Labor MLA Raymond Jones, Fancher owed an additional $78,000 to three other creditors. (Queensland parliament, December 9, 1975).

Fancher and Bjelke-Petersen were two of a kind. When he first arrived here in 1965, Fancher was interviewed by the Sydney Daily Mirror had, he said, come to Queensland to "avoid living near negroes",

"Ah like a nigra in a nigra's place and that ain't near my family." He feared his son might be "seduced" by "colored girls". Asked if he knew there

QUOTE: Todd received a cheque for $13,500 drawn on the account of BJ Tancred of Trancred Bros Ltd, a major Queensland meat packing firm...

were Aborigines in Queensland, Fancher replied : "Ah've heard you treat them like our injuns. You've put them on reservations and they're no problem. Is that so ? " (NR, May 14, 1976).

Fancher told the media that he had met Bjelke-Petersen through his friend, National Country Party federal leader Doug Anthony, who had also introduced him to Philip Lynch in 1975. Fancher said he had contacted the secretaries of Lynch and Anthony as early as May 1975 to tell them he had "information" on the Loans affairs.

Fancher was therefore active in the loans affairs very early in the business, but it was only in October 1975 that the Opposition took up his offer to provide information (NR, May 21, 1975).

In October 1975, while his company was being wound up in the Supreme Court, Fancher met with Bjelke-Petersen and Anthony over a weekend at Anthony's northern NSW home. Fancher told them that his contacts in the USA had informed him that Whitlam ministers were to receive kickbacks and secret commissions from the petrodollar loans.

Just before, Fancher had phoned Dr Herbert R Burris of the US company Whitney Todd and Co , to tell him that he was about to meet Anthony. Later,at Anthony's home, he introduced Anthony to Burris and Richard Bradburn Todd (the head of Whitney Todd) by phone. Todd later claimed he spoke to Anthony on three different occasions: October 31 and November 1 and 3, 1975.

On November 2, the Opposition parties held a summit meeting in Malcolm Fraser's Canberra office. Present were Fraser, Anthony, Lynch, Ellicott, Sinclair and Nixon, as well as Senators Withers, Greenwood and Cotton and finally Bjelke-Petersen and Liberal leaders from other state parliaments.

Liberal Summit: go-ahead for Fancher

It was a desperate time for Fraser and Anthony. Opinion polls were showing increased public sympathy for the Whitlam government over the blocking of Supply in the Senate. Liberal Senators were threatening to cross the floor to enable the passing of Supply bills. Sir John Kerr still had not made up his mind about how to resolve the crisis. Much more dramatic revelations were needed to change public opinion and swing Kerr.

During the November 2 summit, in the course of one hour, Bjelke-Petersen made three separate phone calls to Fancher to check details of his allegations.

The November 2 summit decided to launch a "thorough investigation" of Fancher's allegations , as Robert Ellicott admitted in parliament on May 6, 1976. Bjelke-Petersen was authorised to co-ordinate the investigation.

A few days later, Khemlani, Thomson, Licardy and others began to make sensational claims about Whitlam ministers getting secret commissions and kickbacks. In the media, the loans affairs seemed to take on an even more sinister light.

After Bjelke-Petersen told him of the summit decision, Fancher rang Todd to give him the good news. On November 7, Fancher told Todd that Bjelke-Petersen wanted to employ Todd as a "financial adviser" to inquire into the kickback allegations. The same day Fancher left for Los Angeles to clinch the deal with Todd and begin the investigation.

Fancher however made a transit stop at Sydney airport where he met John Bracey. In a half hour discussion, Bracey offered Fancher a deal whereby information obtained on the alleged kickbacks could be resold for $200,000 to unnamed sources (NR May 21, 1976). The Brisbane Courier Mail was later to allege that the Fancher affair cost the Queensland government $200,000 (H of R Hansard, May 19, 1976).

After meeting Bracey, Fancher flew to Los Angeles, arriving at Todd's ranch on November 9. Todd later claimed that Fancher arrived with a large roll of Australian banknotes worth at least $1,000. Fancher told Todd that he had got the money from Bjelke-Petersen through a senior member of the premier's staff, a Mr Spann, who had collected the cash from "bars in Brisbane because normal sources of funds were closed at the time of his (Fancher's) departure," Todd later said.

Todd said he received a call from the Liberal Attorney-General of NSW John Maddison on November 10, informing him that John Bracey had been charged with fraud, just as he was about to leave for overseas to obtain the "kickbacks" evidence. Maddison wanted to know if Bracey would be able, as he claimed, to gain access to documents held in a Swiss bank which allegedly proved the kickbacks . Todd says he told Maddison that he did not think Bracey or anyone else could gain access to the documents.

Nevertheless, Maddison soon after had Bracey's passport returned and sent him overseas. Todd himself, it should be noted, was soon to fly to Switzerland in search of the crucial documents supposedly hidden in Swiss bank vaults. Todd told Fancher that he wanted a written letter of authorisation from Bjelke-Petersen, appointing him his "financial adviser". It duly arrived on November 14. On the same day, Todd received a cheque for $US 13,500 drawn on the account of B J Tancred at a New York bank.

Tancred Brothers Ltd was and is a major Queensland meat packing firm. One of Tancred's directors in 1975 was Michael E Baume who, shortly before, had been in trouble as a director of the stockbroking firm of Patrick Partners, which crashed due to very doubtful business practices in the mining stock boom of 1970. In December 1975, Baume was elected a Liberal MP.

Tancred Brothers may have provided the money for Todd from its own funds, but more likely it was used as the transit for funds collected from big business interests in Queensland.

Khemlani with his minders (from Liberal Party and Lynch's office) -- Melbourne, October 1975.

QUOTE: Todd said Fancher was in constant contact with Anthony and Lynch... they later denied the allegations...

With Bjelke-Petersen's letter and the Tancred cheque in his pocket, Todd flew with Fancher to Switzerland where they met the Queensland Agent-General in London, former National Party minister Wally Rae and Queensland police officer Dt Inspector J Keene who had been sent there by Bjelke-Petersen to help search fo the dirt on the kickback allegations.

They were also seeking loans funds for the Queensland meat industry. Todd claimed he obtained some offers, but that when they met officials of the Swiss National Bank on November 18, they were told they would have to go through the Australian government to obtain these loans. Todd said that from November 18 to 21, Fancher was in contact with the "caretaker" Foreign Minister Andrew Peacock who provided contacts in the Swiss Foreign Affairs department who would facilitate the loans. Peacock later denied this.

On November 21, Rae, Todd and Fancher went to Berne to meet Brennan, the Australian Ambassador to Switzerland, to seek his help in unearthing the alleged kickbacks documents. Brennan refused to help and soon after told them they were close to breaking Swiss banking laws. Todd claimed that throughout this period Fancher was in constant contact with Anthony, Lynch, Andrew Hay and Spann. Such contact would have put Anthony and Lynch in breach of the undertaking they had given Kerr on November 11, when they were appointed "caretaker" ministers, that they would not pursue the loans affairs allegations. Naturally, all later denied Todd's allegations.

Also associated with Todd and Fancher in their Swiss search was a Mr. Sunderman whom Bill Hayden described as a "shadowy overseas figure". Hayden said Bjelke-Petersen had promised Sunderman that he "would be looked after" if he "unlawfully arranged for certain documents to be removed from a bank box". Hayden asked if a new car which Sunderman obtained was part of the pay-off from Bjelke-Petersen. (H of R Hansard May 19, 1976).

Sundermann & Nugan Hand: Shah's billions

It will come as no surprise that Mr Joachen Sundermann soon after was involved with Nugan Hand bank. In late 1978, Karl Fitz Schuller, the Perth-based con man who had been recruited by Nugan Hand from the collapsed Dollar Fund of Australia, was busily trying to organise the placement of $100,000 million -- the fortune of the family of the Shah of Iran, who was about to be deposed by the revolution there. Schuller was working through a Mr Peter Busse in West Germany who allegedly had the money to be invested secretly around the world. In November 1978, Schuller, Busse, Michael Hand and a "Madame Nambah" of the Shah's family (or allegedly so) met in the Sheraton hotel in Zurich, Switzerland, to supposedly finally arrange the depositing of the fortune. It was planned to place it with Nugan Hand in the Caymans and then distribute it around the world including in USA, Canada (Quebec) and Turkey. Around Christmas 1978 however, Frank Nugan sacked Schuller, ordered him to go to Singapore and statedquite clearly that Nugan Hand would have nothing to do with the placement of the Shah's fortune.

The NSW Corporate Affairs Commission report into Nugan Hand cannot explain why Nugan did this, nor what happened to the fortune and whether Schuller, who remained in Europe , had any further activity in relation to the Shah's billions. It is known however that the Shah's ill-gotten fortune was placed overseas, through the CIA and his friend Kissinger and the Rockefellers.

The NSW CAC report is not very illuminating regarding Sundermann's role, except to say he had one in the Schuller plans. (NSW CAC report on Nugan Hand page 602). Sundermann's address was given in Gutersloh, West Germany and he was called a "financial adviser of the Credit Bank of Dusseldorf".

The placement of the Shah's billions was most definitely a top-level operation, involving the CIA and the top levels in Washington. Nugan Hand --- and Sundermann --- would have only been involved with the expressed approval of the CIA. That, in turn, may well provide a clue to CIA involvement in the Fancher affair itself and the search for the "kickbacks" documents.

Bracey in Europe

The efforts of Todd, Fancher, Rae, Keene and Sunderman got nowhere and in late November the Australians and Todd left Switzerland with neither the kickback documents nor the Queensland meat loan. The story leaked in the Australian media on December 4 when Fancher returned to Brisbane. Allegations that the Queensland government had spent up to $200,000 funding the investigation appeared in the media.

No one was more surprised than the other members of the Queensland government when the Fancher affair broke in the media. Bjelke-Petersen had not bothered to inform his cabinet of the Fancher investigations. He had no option but to bluff his way out . He called the special parliamentary session for December 9, four days before the elections and made the claims quoted at the beginning of this chapter.

Fancher's return was not the end of the investigations. As noted previously, John Bracey left for Switzerland on December 2 with John Maddison's blessing. When he arrived, Fancher and Todd had already left Switzerland. On December 3, Todd's partner Burris telexed that "Bracey looking for Fancher and Sunderman in Zurich. Sunderman's lender driving Todd crazy with claims that Fancher takes dingo loan (Queensland meat loan) this week". (Queensland parliament Hansard December 9, 1975).

Bracey went on to London where he stayed at the plush and very expensive Savoy hotel. He was also paid $2,000 for a document "from the Middle East". Did the Queensland government pay those expenses of Bracey, Hayden asked in parliament on May 19,1976. The question remains unanswered.

Fraser won the elections on December 13 and his

QUOTE: Richard Todd was also a major arms dealer, reputedly able to finance multimillion dollar deals with his own resources...

Attorney-General Ellicott soon discovered that there was no basis to Fancher's allegations, after his department carried out official investigations. (H of R Hansard May 6, 1976).

Bjelke-Petersen however did not want to let the matter rest. In January 1976, he went to see Ellicott, who told him in no uncertain terms to let the matter die. Ellicott also saw to it that Bjelke-Petersen did not get Reserve Bank approval to pay Todd the $17,000 he owed him. This had unforeseen consequences.

An unhappy Todd wrote to Fraser on March 17, 1976, asking him to get Bjelke-Petersen to pay him the money owed. He enclosed a number of documents including Bjelke-Petersen's letter appointing him as his "financial adviser". When Fraser did not reply,a peeved Todd sent a similar letter to Whitlam, who then sent his private secretary, Greg Terry, to see Todd in California. Todd gave Terry all he wanted. Whitlam then decided to launch a parliamentary attack around the Fancher affair on May 19, 1976. The attack was a partial success in that it embarrassed Bjelke-Petersen and Fraser for a few days, but the media did not pursue the matter as they had earlier loans affairs. In the Senate on May 19, the ALP did not even bother to raise the matter for debate. A few days later, the Fancher affair was forgotten.

Yet it had enormous potential for really exposing the nature of the loans affairs conspiracy.

Let us therefore look more deeply at the individuals and their roles.

Todd in loans affairs from start

Richard Bradburn Todd , according to Ellicott, was "virtually unknown in the banking field" in the USA but offered his clients "banking and business consulting" (H of R Hansard May 6, 1976). Richard Todd was, however, involved in the loans affairs from the beginning and we have Ian Sinclair to thank for this information. In the May 19 parliamentary debate, Sinclair quoted from a series of telexes concerning Todd's role. His aim was to raise the spectre of the loans affairs, to try to scare Labor out of pursuing the Fancher affair. But he also provided some crucial clues as to Todd's broader role.

Sinclair (and Fancher) claimed that Todd in November 1974 had contacted Whitlam regarding loan-raising proposals. There is no evidence that Whitlam spoke to Todd , but he may have contacted his office. Sinclair also quoted from a telex sent by Todd in March 1975. The telex said that a Humphrey Ellison-Rich had phoned Whitlam's office around March 17 to check some information as "he didn't think John Bracey was telling the truth". Todd's telex said that Ellison-Rich "phoned to Jakarta to say he could work directly through Whitlam and didn't need Bracey's help". Ellison-Rich and someone called Godwin went to see the Australian High Commission , presumably in London, and Godwin allegedly contacted Treasurer Cairns at Whitlam's suggestion. Whitlam denied any knowledge of this. But it is possible the contact was made with Whitlam's office and routinely referred on to the Treasurer.

Ellison-Rich and Godwin do not appear elsewhere in the loans affairs. Their efforts may well have been a sideshow to the Khemlani affair or linked with the Thomson-Bracey efforts in the Harris affair. Or perhaps it was some independent effort.

Another March 1975 telex from Todd , quoted by Sinclair, reported that George Harris and Leslie Nagy were at a London hotel and that Harris had said he was going to Paris to meet Cairns. Todd was obviously right in the middle of the Harris loans affair. Another telex from Todd's partner Burris , dated April 1 1975 and sent to John Bracey, said that a Sir Thomas Buxton was prepared to go to Australia to discuss a $4 billion loan. Buxton was yet another name to appear then disappear without trace in the loans affair.

Richard Todd was therefore in the loans affair conspiracy right from the very beginning, co-ordinating with Bracey, Harris and almost certainly Khemlani.

Richard Todd: financing his own arms deals

It will come as no surprise to readers to learn that Richard Todd was not just a "financial consultant" but was also a major arms dealer. He is reputedly able to finance multi-million dollar arms deals with his own resources, and is also reputed to have had very good contacts with the rightwing French governments of the seventies, in particular with the French Defence Ministry which gave him a privileged position in the world's arms market.

Todd's major contact in Australia , at least from 1978 to 1980 (and perhaps earlier) was an Australian arms dealer John Kennard. Kennard is one of those shadowy figures who sought to put together deals around the world from Kuwait to Taiwan, in commodities from live sheep to arms. He was also reputedly involved in race-fixing and is said to have fled later to Taiwan to escape debts of around $1,000,000.

In the seventies Kennard was one of the cotorie of arms dealers whom we have named in earlier chapters and who played roles in the loans affairs, such as David Pethard. He --- and Todd --- were also in business 1978 and 1979 with another notorious con-man, Charles Wyatt.

Wyatt's career over two decades saw him operating as an illegal abortionist in Melbourne (charging $1,000 for an abortion and resorting to blackmail of women where possible); working for Protean abattoirs in Melbourne and being involved in the Richmond council scandals surrounding Protean's Richmond plant. At Protean, he met George Harris and continued this association in the years that followed.

In 1982, Wyatt appeared as a witness at the inquiry headed by Alastair Nicholson QC into the Richmond Council. He accused Clyde Holding MHR of graft. In parliament Holding tipped the can on Wyatt, exposing his notorious past. Nicholson found Wyatt's charges against Holding unsubstantiated. (NT April 4-10, 1982).

QUOTE: It is fair to ask what deal was arranged between Bracey and Maddison to have Bracey's passport returned to travel...

By 1979, however, Wyatt had wormed his way into the confidence of the Meat Industry Employees Union in Victoria and of ALP Socialist Left figure Bill Hartley. In a repeat of the earlier Henry Fischer affair, Hartley gave Wyatt a letter of introduction to the PLO in Lebanon. Wyatt and Kennard were involved at this time in establishing companies in Kuwait for the export of live sheep to the Middle East -- and for arms deals.

Richard Todd was a partner of Wyatt and Kennard in these arms deals. In May 1979, Wyatt found himself in trouble in Kuwait, and proceeded to send Kennard a telex from the Kuwait Hilton Hotel public telex, stating that "Abdulaziz al-Tuiraijri" wanted "no part of selling aircraft, fighters, bombs, rifles, grenades in Beirut and I will not be blackmailed by you in this action. Have guts sell yr own bombs and grenades to kill women and children you have never seen".

Wyatt was getting out of a dangerous situation , which accounts for his sudden discovery of humanitarian instincts. He also allegedly owed Kennard $42,000 which accounts for his reference to "blackmail".

Kennard lost no time in going to see Tom Ryan, a union official and friend of Hartley's, and telling him how Wyatt was "misusing" Hartley's letter of introduction to the PLO. Ryan cabled Hartley, who was in Holland at the time, and Hartley quickly cancelled his letter of introduction for Wyatt.

Wyatt managed to escape from a very sticky Middle East scene but was finally arrested in Melbourne in 1981 on a chrage of possessing a false passport.

Many of the arms deals organised by Kennard and Todd went through MG Armaments in Vancouver, Canada. Melbourne arms dealers John Singer and John Eva were also agents for MG Armaments in Australia. In 1979, Chris Brading was involved with with these three and MG Armaments in a deal involving Starfighter jets.

There is no evidence that Todd was involved with Pethard in arms deals in 1975, when both were closely involved in the loans affairs. However, John Bracey was working closely with both Todd and Pethard in loans deals in 1975 and Commerce International was dealing with all of them. We must therefore strongly suspect that Pethard, Todd and Commerce International were working hand-in-hand in all the loans affairs. Pethard's employee George Harris was in close touch with Todd in March 1975 at least.

Todd's large-scale, top-level arms trading put him in contact with the CIA which is one of the world's major customers for the fringe and illegal arms market. The CIA at the very least keeps a close eye on those involved in this market.

It is not possible to say conclusively that Richard Todd was working with or for the CIA in the loans affairs in 1975 or that he even kept the Agency informed of what was happening. But a strong suspicion must exist that the CIA, at the least, was kept fully informed and that Todd performed some services for them. Todd's subsequent action in providing Whitlam with information on the Fancher affair can be explained as a personal decision, to get even with Bjelke-Petersen for non-payment of a debt. Todd was one of the shadowy figures who would do favors for the CIA but not necessarily be under its discipline.

Search for German telex fails

In May 1976, Fancher showed the Nation Review a handwritten document with a list of names about which Todd had allegedly said he could provide damning information.

The list consisted of a series of names: Cairns, Connor, Murphy and Whitlam; Aslam and Kikayon (whom Fancher said were Labor "contacts"); A Issay and Resayen-Khan ("fringe bankers"); Guder ("a German banker"); Lillian Gresar (an "associate" of Aslam, Kikayon and Guder who had "relations" with several Labor ministers); and John Bracey, Vanda Russel Gould (an associate of Bracey's) and other including Colin Hamilton.

Fancher told the Nation Review that a telex in the German language showed arrangements for three Whitlam ministers to each receive a seven percent kickback from a government loan . (NR, May 21,1976) It was this German language telex that Bracey, Todd, Fancher and others were trying to recover from a Swiss bank vault in November 1975. We can safely assume that the telex never existed and the whole story was a fabrication coming from the fertile minds of Bracey, Fancher and/or Todd. .

That was certainly the opinion of Ellicott in January 1976 . He was not given to clearing Labor ministers from the kindness of his heart. As we shall see in the Fischer affair a few months later, Ellicott set the Commonwealth police to work trying to dig up dirt on Whitlam.

Bracey, as we have seen, was in deep trouble in 1975. He was fully aware that the investigations into the Kimberley Minerals fraud would result in him possibly receiving a long jail sentence.

It is in this context that we must consider Bracey's relationship with NSW Attorney-General John Maddison. As we have seen, Maddison contacted Todd on November 10, 1975, seeking his advice about Bracey's chances of getting access to the Swiss kickback documents. Maddison arranged for Bracey to get back his passport and travel to Switzerland on December 2.

It is fair to ask what deal was arranged between Bracey and Maddison to have Bracey's passport returned , and indeed, what other promises were made to Bracey throughout the loans affairs. Bracey obviously had a very great interest in pleasing Maddison, whose intervention could have led, at a later date, in charges against Bracey being dropped or his sentence lessened.

However, in May 1976, just as Bracey went on trial and a prime facie case was found against him, the Wran Labor government unexpectedly won the NSW elections by the narrowest of margins. Any deal Bracey made with Maddison was therefore killed. However, while Bracey's fellow accused ended up

QUOTE: Fancher took many secrets to his grave. Was he throughout the loans affairs a provocateur working for the CIA ?

serving long sentences, he got a much shorter one. Murray Richard Harrod for example received a nine-year sentence. (DT October 7, 1978).

Bracey therefore had every incentive in 1975 to play the role of agent provocateur in all the loans affairs in which he was involved. He was able to combine his talents as a con man and his fanatical right-wing beliefs , with an overwhelming desire to please Liberal Ministers.

After serving a prison term, Bracey managed to get a security agency licence and now runs quite a large concern from Sydney's northern suburbs. He is ready to tell anyone who is willing to listen about how Whitlam and others were to get "kickbacks" in 1975 and other tales of later events involving Labor figures, all, naturally, with secret Swiss bank accounts and with incriminating documents secreted in Swiss bank vaults.

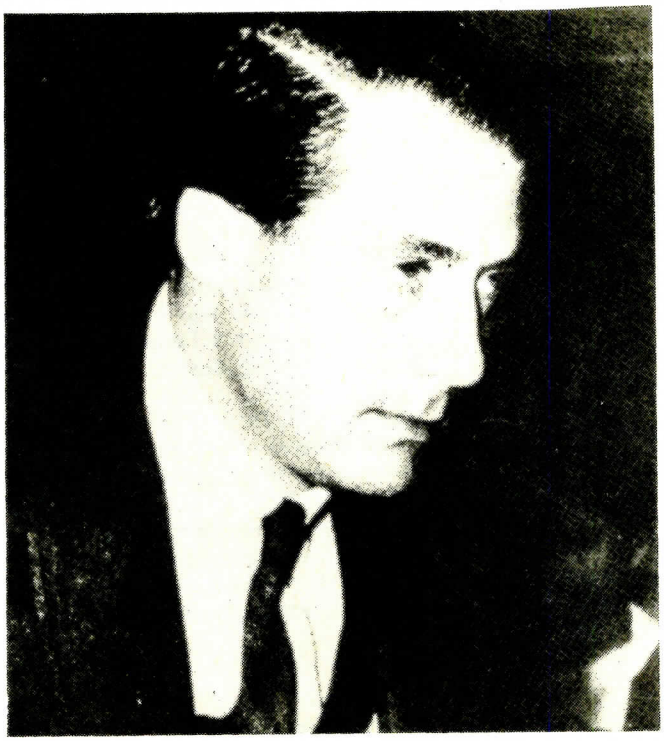
Finally, what of Wiley Fancher ? He certainly earned Joh's gratitude. For years, the small local hospital on the Atherton Tablelands has been equipped with a kidney dialysis machine. Labor parliamentarians claimed that it was put there solely for Fancher's use, while other hospitals in Queensland which needed them urgently went without.

Fancher finally died in early 1984. Joh Bjelke-Petersen took time off to fly to his funeral and deliver a short oration. It was not reported whether any of his old-time associates from 1975 turned up to his funeral.

Fancher took many secrets to his grave. Was he, throughout the loans affairs a provocateur working for the CIA? Where did the money to finance his activities come from? Fancher can no longer tell, but the facts certainly point in a certain direction...

Malcolm and Doug with the man who put them in power. Canberra, November 1975.

9. The Fischer Affair



Henry Fischer

Four days after Kerr had dismissed the Whitlam government, the ALP national executive and national election campaign committee held an emergency, crisis meeting in Whitlam's Sydney office. The ALP was facing an election campaign for which it was not prepared. Above all, its finances were at rock bottom.

During the meeting, Victorian Socialist Left executive member Bill Hartley told ALP national secretary David Combe that he might be able to obtain some funds from Arab sources. Hartley suggested he might go to the Middle East to contact the sources that would provide funds.

Hartley was well placed to do so. He is and was the Australian representative of the Iraqi News Agency and had a telex in his home with which to maintain direct contact with Iraq. He was a strong supporter of the Palestine Liberation Organisation (PLO) and a leading figure in friendship associations with Libya and Iraq. Bill Hartley visited Arab capitals frequently and had established close personal contacts with PLO leader Yasser Arafat, Libya's Colonel Khaddafi and Iraq's power-behind-the-throne Vice President Saddam Hussein.

Combe took Whitlam aside and with Hartley discussed his proposal. Whitlam said it was impossible for Hartley to go overseas at the time as he was on the ALP Senate ticket in Victoria. Whitlam proposed that they should contact Reuben F Scarf, a Lebanese-born Sydney businessman who had grown wealthy from a chain of cut-price clothing stores and who had good contacts in the Middle East.

Hartley contacted Scarf almost immediately and was given the phone number of Henry John Fischer who was employed by Scarf to keep in touch with Middle East governments and business interests.

Hartley told Fischer of the proposal and arranged for Combe and Whitlam to visit Fischer's McMahon's Point flat in the plush Blue Point Towers that evening. The evening was "purely social" . At this and other meetings involving Whitlam, discussion of the fund-raising proposal was deliberately not mentioned, but all knew it was the real purpose of the meetings.

On November 19, Whitlam, Combe and Fischer again met, this time in Whitlam's Martin Pace office. Fischer raised the question of an incident the previous September, in which an Iraqi diplomat had been badly treated at Sydney airport and had left Australia immediately after in protest. Whitlam wrote a letter regretting the incident and promising a full investigation if Labor won the elections.

Fischer then left almost immediately for Beirut and Baghdad. After November 16, Bill Hartley had written Fischer letters of introduction to Yasser Arafat,Iraqi Vice-President Saddam Hussein and Iraqi Minister for Youth and Friendship Associations, Nahim Haddad. Fischer picked these letters up in Melbourne then flew directly to the Middle East on November 20 . (SMH March 4 and 8, 1976).

A couple of days later Fischer met with Haddad and around November 25 met with Hussein who proposed that two Iraqi diplomats who doubled as Baath Party representatives should go to Australia immediately to discuss providing funds for the ALP. Fischer then flew back to Australia. He claimed later that the letters of introduction from Hartley contained an urgent plea for $1,000,000 for the ALP, but Hartley denied this, saying the letters were in general terms (ST February 29, 1976).

On December 8, two Iraqi officials arrived at Sydney airport, where they were met by Fischer. On December 10, the infamous "Iraqi breakfast" occurred. Whitlam and Combe went to breakfast with the two Iraqis at Fischer's flat. The $500,000 loan/gift to the ALP from the Iraqi Baath Party was not discussed. The Iraqis delivered an invitation from the Iraqi President to Whitlam, to visit Iraq.

The attendance of Whitlam at the meeting was observed and noted by the Commonwealth Police guards who were accompanying him, as was normal throughout the election campaign. But ASIO was also taking a close interest in the meeting,and, while claiming they

QUOTE: Bob Hawke had not been informed of the deal. It had been kept a close secret between Combe, Whitlam and Hartley.

were not physically in the vicinity, were closely following developments. (NT March 1-6 1976).

Unknown to Whitlam, Combe and the Iraqis, Fischer had arranged with his friend George Miller, a Sydney restaurateur, to tape the December 10 breakfast (NT Sept 7-13, 1980). We will return to this crucial matter later.

Almost immediately on the same day, the two Iraqis and Fischer flew out of Sydney airport for Tokyo. It was agreed that Fischer would collect the money at the Iraqi Embassy in Japan.

But by January 30, 1976, a worried Combe told Whitlam that no funds had arrived and that the ALP advertising agency had to pay $180,000 almost immediately for newspaper advertising costs incurred during the election campaign, or face going into voluntary liquidation. On the basis of the promised Iraqi funds, the ALP had gone heavily into debt for the election campaign.

On February 11, reassured by Fischer that the money would come through, the ALP wrote to the Commonwealth Trading Bank asking for a short-term loan to cover the advertising agency's and other expenses until it arrived. On the same day Combe left on a Pacific cruise.

On February 12, ALP national assistant secretary, Ken Bennett told ALP senior vice-president Jack Egerton that the ALP could be receiving $US500,000 from Iraqi sources. This was news to Egerton who phoned then ALP and ACTU President Bob Hawke. Hawke had also not been informed of the deal. In fact it had been kept a close secret between Combe, Whitlam and Hartley.

Hawke calls off Iraqi deal

Hawke was a ferocious supporter of Israel and the thought of money coming from Arab sources, and particularly Iraq, which was then, with Libya, the strongest opponent of Israel, horrified Hawke. He rang Bennett and convened a meeting of ALP national officers which met at Hawke's home on February 15. They decided to reject the Iraqi loan but to confirm the letter to the Commonwealth Trading Bank and seek to raise the money by a direct appeal to Labor supporters. They also convened a full ALP national executive meeting for March 21.

Combe, who had been called back from the cruise was told to ring Fischer and to tell him the loan would not be accepted. Combe phone Fischer on February 16 but missed him. On February 17, Fischer returned Combe's call from Los Angels and was told the Iraqi funds were not wanted.

Immediately after speaking to Combe, Fischer phoned Rupert Murdoch in London and told him about the Iraqi loans affair. He then flew to London where he met Murdoch and told him in greater detail what he knew. (SMH March 4, 1976). Murdoch claimed he took a week checking out the story.

Meanwhile, Canberra-based journalist Laurie Oakes had also heard the basics of the story from ALP sources. On the evening of February 24, Oakes' paper the Melbourne Sun-Pictorial was running the story under extraordinary secrecy. It even ran off a dummy edition without mention of the main story, to mislead its competition.

The same night, Murdoch rang the Sydney office of his newspaper, the Australian, which had begun to print for the following day and ordered the presses halted for his big story. Journalists thought it might be a death notice -- for the Australian. But Murdoch with some speedy industrial espionage, had heard that the Sun-Pic was about to break his story...

So both the Sun-Pic and The Australian hit the streets on February 25 with the Iraqi breakfast story. Soon after, the same day, Prime Minister Fraser called together a select group of journalists to tell them "in confidence" that the Labor Party had in fact already received $500,000 from the Iraqis and that a further $500,000 was on its way. (FR, March 4,1976).

Don Thomas in action...

When newspapers carried Fraser's leak the next day (without attributing it to Fraser), Attorney-General Ellicott ordered a Commonwealth Police investigation. The notebooks of Commonwealth Police who had guarded Whitlam during the election campaign were seized. On the same day, (February 26) Commonwealth Police Inspector Don Thomas phoned the ALP advertising agency and asked for an interview. He and others went to the office to inspect their files. (Senate Hansard, March 2, 1976).

This was not Inspector Don Thomas' last brush with notoreity. Later, in 1978, he was entrusted with the infamous "Greek social security case" in which hundreds of Greeks were victimised for alleged breaches of social security laws. The case ended with Thomas himself being strongly criticised by the magistrate and the Labor movement and Greek community for his treatment of the Greek community and for payment of large sums to a police informer.

Later still, Thomas was to feature in transcripts of the illegal NSW police phone taps on Sydney solicitor Morgan Ryan. While preparing the Greek social security case, Thomas was also leaking information to Ryan about police investigations into an illegal immigration racket with which Ryan was later found guilty. Thomas allegedly got a "small gratuity" in return for the information he gave Ryan. (Sydney Squealer)

In February 1976, Thomas' investigation led to uproar in parliament, and helped take some of the sting out of Labor's embarrassment. But naturally, the media made much of the Iraqi breakfast affair and Whitlam was able to survive as leader only because the ALP was unwilling to give Murdoch the satisfaction of seeing Whitlam removed through his media manipulations.

Meanwhile, Henry Fischer had flown to Singapore, accompanied by a British "private detective" Douglas Sinclair hired by Murdoch to "look after" his informant. (SMH, March 3, 1976).

Fischer and Sinclair booked into neighboring rooms

QUOTE: Diane Fischer said George Miller and her husband had tape recorded the Iraqi breakfast meeting...

at the Singapore Hilton, but on March 1, Fischer disappeared, leaving behind in his room some burnt papers and little else. Sinclair said he would not be surprised if Fischer had committed suicide. He said Fischer feared he would be assassinated by Iraqi, Israeli or "even members of the Labor Party". (SMH March 3, 1976).

Sinclair added that he had received a phone message allegedly from Fischer,saying that Fischer had decided to "strike out on his own" but would be back in contact by the end of the week.

On March 3, Fischer issued a statement through his Sydney solicitors Sly and Russell denying that there had been any suggestion of Iraqi funds going to the ALP at the meetings with Whitlam and Combe. The solicitors added that Fischer was well, but not in Singapore. (SMH March 4, 1976).

Fischer said he was going to sue eight newspapers ... but soon after the ALP national executive issued a full statement which confirmed the Iraqi funds story, criticised Whitlam , Combe and Hartley but noted that nothing illegal had occurred.

Nothing more was heard of Henry Fischer for four years, until his estranged wife Diane Fischer took him before the Los Angeles Supreme Court in 1980, in relation to her claims over their property rights.

On April 23 1980, Diane Fischer informed the court that Fischer had told her " that the Iraqi Embassy in Tokyo gave him the money (the $US 500,000 for the Labor Party). He took it to a bank in Tokyo ... and changed it into cash and took it to Hong Kong and deposited in a bank there.

"I know he deposited it in a bank there because my step-sister , Judith Kessler, saw him. He asked her to recommend a good bank and a manager that she knew and she saw him with the money in his hands."

No denial on Fischer's $500,000

Mr Croskey, Henry Fischer's lawyer then asked: "Is it your understanding that the $500,000 that he received in Tokyo is the same $500,000 that your counsel was asking him about that was transferred to Hong Kong in the amount of $400,000 and $100,00 to Sydney?" Diane Fischer said yes.

"And it was the same money that was brought to the United States ... and used to purchase land in Escondido?" Mrs Fischer replied: "yes".

Mr Croskey asked whether Henry Fischer was supposed to deliver that money to the Labor Party, and Diane Fischer said it was.

Mr Croskey: "He certainly didn't earn it from the Iraqis , did he ?" Answer: "I don't think so." (NT Sept. 7-13, 1980).

Henry Fischer later took the stand and refused to answer all questions as to the source and disposition of the $500,000. But his lawyer at no time questioned him on the basic evidence given by his wife. Croskey's main goal was to prove that Fischer had no right to the money and that therefore Diane Fischer had no right to a share of it !

In subsequent evidence, Henry Fischer was shown to be driving a Lincoln Continental and to be living with his common law wife and child in a mansion on several acres at 1412 Pine Heights way, San Marcos (Escondido). Fischer was also shown to have 10 acres of land in the equally expensive Malibu area and other land in Arkansas. He had at least nine bank accounts and shares valued at $156,000. His Escondido house was valued at between $430,000 and $670,000.

Why the silence on Fischer's role ?

In a deposition at the court hearings, Diane Fischer said Sydney restaurateur George Miller was at the Fischer flat before the December 10 breakfast: "He (Miller) was in the flat in December when he installed a tape recorder behind a bookcase to tape a conversation between Iraqi officials, my husband and Mr Whitlam, the then Prime Minister". George Miller in 1980 told the National Times : "I don't know what she's talking about; it's absurd; it's nonsense". (NT September 7-13, 1980).

On August 5, 1980, Diane Fischer signed an agreement as part of a settlement of the court case, in which she agreed not to discuss the conduct of her former husband in the Iraqi affair, "or any events in which the husband was involved since the month of September 1975, or concerning the receipt by her husband of any monies of whatever nature from the Iraqi government or the Australian Labor Party". (NT Sept. 7-13, 1980).

Diane Fischer's agreement to maintain silence about Henry Fischer's activities since September 1975 aroused the interest of Brian Toohey, the author of the National Times article. From all accounts of the affair, as outlined above, Henry Fischer only became involved in the Iraqi funds affair on November 16, 1975. Why, then, should he want to silence his former wife about events since September 1975? Had Fischer began to set up the Iraqi loans affair as far back as then ?

In 1980, Bill Hartley told Toohey that the Iraqi fund-raising was his idea without any prompting from Fischer and that he had used Fischer as an intermediary to obtain the Iraqi funds only after November 11

Interestingly, David Combe told Toohey that, in February 1976, Fischer tried to get Whitlam to go to London for the hand-over of the $500,000. Presumably this was before the ALP decision on February 15 to cancel the Iraqi fund-raising attempt. This was almost certainly an attempt by Fischer to set up Whitlam even though Fischer already had the Iraqi money in his Hong Kong bank account.

Toohey however dug up another possible explanation for the September 1975 date set on Diane Fischer's silence.

In his book, Conspiracy of Silence, on the Israeli attack on the US spy ship Liberty in 1967, British author Anthony Pearson states that he agreed to write that book after a friend in British intelligence offered him the Liberty story if he (Pearson) would drop his

QUOTE: Fischer launched the Australian International News Review... a vehicle for the extreme right in Australia...

investigations into Henry Fischer. Pearson agreed, as he was not getting far with the Fischer investigation.

Pearson told Toohey that he first got to know about Fischer in August-September1975, through a "friend of dubious reputation" Tito Howard. In Howard's London flat, Pearson saw a note written by Howard after he had received a phone call from Fischer in September 1975. Howard had written after speaking to Fischer: "Ring Iraqis over Whitlam loan". One explanation is that Fischer was already trying to organise the fund-raising for the election expenses, even though the election had not been announced and was not even expected in the short term. The other is that Fischer was involved in the Khemlani loan affair, or possibly one of the others. The last, of course, is that the whole set-up around the Iraqi loans affair was planned well in advance...

Henry Fischer was born in Paris in 1937, where he lived throughout the war, his parents allegedly being members of the French resistance. In 1946, Fischer and his parents came to Australia for a brief stay before his father went, in 1948, to teach at Saigon university, Viet Nam.

He and his parents later returned to Paris, but Henri as a young man of 18, headed back to Australia in 1956 for the Olympic Games, where he obtained work. Fischer then joined an expedition to the Antarctica and in 1959 in Melbourne became a naturalised Australian citizen, Anglicising his first name to Henry.

In 1963, he was working in the advertising section of the Sydney Morning Herald and had joined the Beauty Point branch of the Liberal Party. He soon got a job on the Mosman Daily, which covered the exclusive Beauty Point area. In 1964, Fischer visited South Africa and returned an ardent defender of apartheid and opponent of communism and "multiracism". (NT March 1-6, 1976).

The Warringah pre-selection fight

In 1965, Fischer launched the glossy monthly magazine, the Australian International News Review. The AINR was a vehicle of the extreme right in Australian politics, denounced by Jewish organisations as anti-semitic and "fascistic". AINR ardently supported South Africa, Rhodesia and Taiwan. Fischer and AINR were part of an extreme rightwing network inside and outside the Liberal Party which included Slovenian nazi collaborator and war criminal, Lyenko Urbanchich; Sir Ralph Cilento, an extreme racist and white supremicist; Liberal MLA Douglas Darby and his son Michael Darby and George Miller, owner of the Neutral Bay Music Hall.

AINR closed down in early 1968 owing huge debts. Among its major creditors were George Miller and Sydney clothing retailer Reuben F Scarf. Scarf was a Lebanese Christian and, as we have seen, played a role in the Iraqi loan affair. It is important to note Scarf's early association with Fischer around AINR, for Scarf like Fischer was soon to pose as a friend of leftwing causes...

In 1966, while AINR was still publishing, Fischer played a leading role in extreme rightwing efforts to defeat sitting Liberal MHR Edward St John, in a pre-selection battle for the blue-ribbon Liberal seat of Warringah, which included Fischer's Beauty Point branch. St. John was targetted by the far-right because he was associated with the South African Defence and Aid Fund which was raising money for relatives of political prisoners in South African jails and courts.

St John won the pre-selection battle, but not before the far-right attack had received nationwide media coverage.

This publicity contributed to the collapse of the AINR and other neo-fascist fronts such as the 50 Club and the Defend Australia League, which brought together the Liberal far-right, the RSL and the DLP. (SMH March 3, 1976).

In the end, even B A Santamaria felt obliged to criticise the AINR for its anti-semitism.

Frawley: backer of John Birch Society

After the collapse of the AINR, Fischer left for California, where in 1968 he was employed by the far-right multimillionaire Francis Frawley. Frawley paid him $25,000 a year -- a huge sum in those days and provided him with a rent-free luxury apartment, car and credit cards. (NT September 7-13, 1980). It was in California that Fischer met and married his wife, Diane.

Frawley had made his millions as founder of the Schick razor blade company. Anti-trust laws forced him to divest himself of some of these interests and he had diversified into a wide range of operations from film production and distribution (he was chairman of Technicolor) ; anti-smoking clinics; hospitals for alcoholics and property development. (SMH March 17, 1976). According to Reuben Scarf, Fischer was vice-president of some of Frawley's companies.

Frawley was also a financial backer of far-right groups such as the John Birch Society and was a rabid anti-communist and anti-semite. He also had close links with US intelligence services, including the CIA.

Fischer around 1970 returned to Australia to take part in the stock exchange boom in mining shares. Little is known of Fischer's links in the few years that followed, but he remained active on the far-right and visited south Viet Nam to return full of praise for the Thieu regime. (NT March 1-6, 1976).

In late 1972, Reuben F Scarf established the Scarf Foundation, a tax-exempt charity which funded Catholic hospitals and schools in Australia and charitable causes in the Middle East. In 1973, George Miller and Henry Fischer became directors of the Scarf Foundation and Fischer went on the Scarf payroll to develop contacts for Scarf in the Middle East.

While working for Scarf, Fischer did occasional jobs for Frawley, including researching alcohol clinics around the world . (NT Sept. 7-13, 1980). But his

QUOTE: Fischer was more than a neo-fascist.. he was also plugged into ASIO and other intelligence sources..

work for Frawley in all probability included political activities, for far-right causes.

But in October 1973, Fischer went through what may appear on the surface to be a surprising political transformation. In that month, during the Yom Kippur war between Egypt and Israel, he contacted Bill Hartley, who had been sparring publicly with Bob Hawke, the champion of Israel. Fischer said he was acting on behalf of the Arab Socialist Union, the ruling party in Egypt and official trade unions which wanted to invite an ALP delegation to visit Egypt. Such a delegation left for a tour of Egypt, Libya and Lebanon in June 1974. (NT March 1-6, 1976).

Hartley did not discover Fischer's neo-fascist links until May 1975 when he wrote to various contacts in the Middle East , warning them of Fischer's "past". In August 1975, Fischer confronted Hartley with the fact that he (Fischer) had been told in Damascus of Hartley's warnings. Hartley confirmed that he had sent them. (NT March 1-6, 1976).

Throughout this period however, and in November and December 1975 in particular, Bill Hartley maintained contact with Fischer and the Scarf Foundation. Fischer at this time was posing as a strong leftwinger, but some people strongly suspected his sincerity. Butros Indari was co-owner with well-known Palestinian supporter Tony Maron of a printery and were then publishers of El Telegraph, a pro-PLO Arab language paper with strong Iraqi and Libyan links. Butros said he was always suspicious of Fischer because of the latter's rightwing background, even though Fischer spoke about the need to "liberate the Blacks in Rhodesia and South Africa" around this time. (SMH March 4, 1976). Indari acted as translator at the Iraqi breakfast meeting.

It is difficult to understand why Bill Hartley agreed to the use of a notorious rightwinger like Henry Fischer, in an ultra-sensitive approach to Iraq for funds for the ALP election campaign. Hartley had sent warnings to the Middle East about Fischer only months before.

Hartley made a similar mistake when he gave con-man Charles Wyatt an introduction to the PLO and other Arab parties in 1979.

ASIO and ASIS debrief Fischer

But Fischer was more than a neo-fascist. He was also plugged into ASIO and other intelligence sources. "ASIO sources" told a National Times investigation team in March 1976 that ASIO had a dossier on Fischer and had asked and received information from him which he had obtained during his visits to the Middle East and "elsewhere". (Fischer for instance had also visited North Korea, one of the few Australians to have done so at this period). Fischer had also passed information on to ASIS, a not uncommon practice, as ASIS debriefs most sympathetic Australian business people visiting countries of interest.

Interestingly enough, in the light of Diane Fischer's subsequent evidence, ASIO sources said the December 10 Iraqi breakfast "may have been" bugged by ASIO but that ASIO was not in the "direct vicinity" of the Blues Point Tower housing Fischer's flat, because the Commonwealth Police were there ! (NT March 1-6, 1976). Did George Miller and Henry Fischer tape record the December 10 Iraqi breakfast for ASIO ?

Four years later, Brian Toohey was told by "Australian officials" that a"London-based member of ASIO sat in on the Fischer interview with Murdoch" (in February 1976). The Fischer statement to Murdoch contains a number of wild claims which the new Prime Minister Malcolm Fraser, later made to three journalists in background briefings in his Canberra office on February 25 -- for example, that $500,000 had been handed over at the December 10 meeting and that Whitlam had promised to "provide sensitive information on Israel to Iraq". (NT Sept. 7-13, 1980). This was a complete fabrication. At the time Fischer had the $500,000 sitting safely in a Hong Kong bank account in his own name.

Whether Fraser was told of Fischer's wild claims by Murdoch or by ASIO is unknown. However, it's worth noting that when, on February 26 1976, Ellicott ordered a Commonwealth Police (and ASIO?) investigation he said it was on "national security" grounds. This suggests that Fischer's allegation that Whitlam was willing to pass on sensitive information on Israel to the Iraqis was the basis for Ellicott's action, and the reason ASIO could have sat in on the Fischer-Murdoch discussions in London.

"Good connections at the US Embassy"

British author Robert Pearson told Brian Toohey that he had been told by a former British Special Branch officer based in Paris that Fischer "had very good connections at the US Embassy" while also having been seen with the PLO and coming out of the Libyan Embassy in Paris. "DST (French intelligence) tell me that the Americans don't want him (Fischer) to be harassed on interfered with", the ex-British Special Branch man told Pearson. " I am told by London to remind you of your arrangement (to drop his investigation of Fischer)". (NT Sept. 7-13 1980). Moreover, "two senior Australian officials with a close knowledge of the counter-intelligence world" told Toohey that they were convinced Fischer "is some sort of intelligence agent, most probably for the Americans." Certainly, Fischer's role in the Iraqi affair is hard to explain unless he was involved with an intelligence organisation. It is difficult to believe that Fischer could have carried through the whole operation as an individual, to set up the Labor Party just for his own far-right motives and personal gain. It was a very dangerous game he played.

It is clear that the ultra-right multi-millionaire Francis Frawley played a role as well. Fischer was with him in Los Angeles in early February until the 17th, when he received news that the ALP had pulled out of the Iraqi funding offer. And Fischer fled back to Los Angeles and Frawley when he slipped

QUOTE: Fischer was no true friend of the Arabs... if he was reporting to the CIA, why would he not be reporting to Mossad?

out of Singapore on March 1, 1976. Frawley said soon after that Fischer had been with him in the latter half of February 1976. Frawley claimed he knew nothing of the Iraqi breakfast affair and that Fischer was trying to sell him the US distribution rights of the Libyan-financed film, Mohamed-Messenger of God. Fischer however was on Frawley's payroll however until well after December 10, 1975.

Given Frawley's bankrolling of far-right operations it is certainly not excluded that Frawley with the CIA was deeply involved in the Iraqi loans affair.

In any case, after "disappearing" from Singapore in March 1976, Fischer returned to Los Angeles, where he managed two far-right Catholic newspapers owned by Frawley : Twin Circle and the National Catholic Register until he disappeared again in August 1980 after his wife's revelations in the court case.

What other shady operations Fischer was engaged in from 1976 onwards, can only be guessed at. For example, Diane Fischer said she rejoined her husband in Hawaii in December 1976 where he was constantly moving money between at least six bank accounts and used assumed names, one of which was Cameron. (NT Sept. 6-13, 1980). In this regard, Frawley's reference to Fischer being an "international broker always trying to put together a deal" takes on fresh significance. It makes it more likely that Fischer was indeed involved somewhere along the line in the Khemlani or other loans affairs as suggested by Toohey based on Pearson's evidence. At a time when contact with any Arab who even suggested access to funds was an open introduction among the loans affairs con men, it is hard to see how Fischer could have passed up such a potentially lucrative and provocative role.

In August 1975, Fischer was in Damascus, where he heard of Bill Hartley's warnings to Arab governments about his past. In fact, throughout 1975, Fischer was in and out of various Arab capitals.

Was Fischer playing a major behind-the-scenes role in all the loans affairs during his plane-hopping from one Arab capital to another, then to London and back?

Fischer: A Mossad agent from sixties?

But even more intriguing possibilities arise. Was Fischer really anti-Israel as all his history suggests ? For if he was reporting during this period to the CIA, ASIO and ASIS as is strongly suggested, why would he not also be reporting to the Israeli intelligence service Mossad ? Was Henry Fischer a Mossad agent from the early sixties ?

We can certainly assume that Fischer was no true friend of the Arabs, whose confidences he probably betrayed to Australian and US intelligence, in the sure knowledge that it would in large part be passed on to the Israelis.

We will probably never know whom Henry Fischer really was -- except that he was basically a con man interested in feathering his own nest. But if he was an Israeli agent all the time, he would not be the first , nor the last, such deep-cover agent organised by Mossad. One has only to recall that when the Israelis reached Beirut in their invasion of Lebanon, longtime deep-cover Israeli agents appeared everywhere, having posed as everything from beggars to leaders of leftist Lebanese and Palestinian groups.

Will the real Henry Fischer please stand up?

Fischer & Murdoch: old friends ?

When The Australian printed the Iraqi breakfast story on February 25, 1976, the front page story was coyly attributed to a "special correspondent", but it did not take long for rival media to discover that the story had been written by Rupert Murdoch himself. As journalists began to dig deeper, Murdoch felt obliged to issue a series of statements. In one he unequivocally stated that he did not know Henry Fischer before Fischer phoned him in mid-February 1976.

This was strange as Fischer and Murdoch were neighbors in the exclusive Blues Point Tower at McMahon's Point. Both had occupied their flats there for some years, although it is true that both spent much time overseas. Why, it may be asked, did Fischer phone Murdoch from Los Angeles to give him the scoop on the Iraqi affair ? Certainly Fischer would have known that the Murdoch media in Australia was the most virulently anti-Whitlam of all and that Murdoch had a personal vendetta against Whitlam. But it could well have been because knew Murdoch personally well beforehand...

The allegation by Brian Toohey, mentioned previously, than an ASIO officer sat in on the discussions between Murdoch and Fischer in London , points to the closest possible collaboration between Murdoch, Fischer and ASIO. Given the allegations that ASIO may have bugged the December 10 breakfast and that Miller did, one can well ask if ASIO was not in on the set-up from the beginning.

And in this context, why , may we ask, did Fischer attempt to lure Whitlam to London in February 1976 to receive personally the elusive $500,000 ? Was this also part of the conspiracy with ASIO and possibly Murdoch?

In this extraordinary affair, other strange events occurred.

Tom Uren, leftwing Labor MHR, told the federal parliamentary caucus on March 17, 1976 that Bill Hartley had told the ALP national executive meeting earlier that month that one of the Iraqis involved in the Fischer affair had defected to the Israelis. And, equally strange, it appeared that Bill Hartley had telexed a message concerning the fund-raising to the President of Iraq during the negotiations, and that this telex had been misdirected to the president of the giant Westinghouse corporation in the USA ! Westinghouse in turn had been in conflict with the Whitlam government over the blockage of uranium export in Australia which had put Westinghouse in severe financial difficulties (SMH March 18, 1976).

Where these two extraordinary events fit into the Fischer affair is anyone's guess. But they certainly

QUOTE: Murdoch told Hawke: the Iraqi story has broken... Whitlam was not favored with any pre-publication tip-off...

show some very strange coincidences which may point to the conspiracy to "get Whitlam" going much deeper than anyone could possibly speculate.

Will the real Henry Fischer please stand up indeed!

On February 24, just before The Australian with the Iraqi breakfast story hit the streets the next morning, Rupert Murdoch had phoned Bob Hawke at the Jerusalem Hilton. Hawke had flown to Israel on February 21, after the Iraqi funds had been rejected at the ALP national officers meeting at Hawke's home on February 15.

Rupert Murdoch, it is reported, told Hawke :"the story has broken", to which Hawke allegedly replied "what story?" "The Iraqi loans story", Rupert is alleged to have replied (SMH March 8, 1976). We write "alleged" because we have only the word of Hawke and/or Murdoch on this conversation. Gough Whitlam was not favored naturally with any pre-publication tip-off.

In the preceding months, Murdoch had made no secret of his promotion of Bob Hawke as a replacement for Murdoch's arch-enemy Whitlam. The rival media were even full of stories in February 1976 that Murdoch was about to sell The Australian to the ACTU, through its president Bob Hawke !

At the time, and since, the allegation that Hawke had tipped off Murdoch and worked with him covertly to bring down Whitlam over the Fischer affair has received widespread circulation. Blanche d'Alpuget felt it necessary to rebut it in her biography, Robert J Hawke.

Space does not permit examination of the question in great detail. Certainly, the claim that Fischer first contacted Murdoch after being told by Combe that the Iraqi deal was off, provides a full enough explanation of how Murdoch got the story. Hawke says he first heard of the Iraqi loans affair on February 12, 1976. Fischer told Murdoch on February 17.

Perhaps it is more relevant to ask whether Hawke tipped off the Israelis about the Iraqi loans affair. D'Alpuget claims the opposite would have occurred. After the February 15 ALP executive in Hawke's home, David Combe and Jack Egerton dined with Hawke's longtime friend, Melbourne businessman Eddie Kornhauser at his home, where they "told him of the scandal". Kornhauser was horrified. (Robert J Hawke, pp 295-296).

After months of planning, Kornhauser had arranged for Hawke to meet "distinguished members of Australian Jewry who had pledged to contribute to the cost of the forest which would be planted in Israel and named after Hawke". This plan had been two years in the making and Kornhauser feared that the news of the Iraqi funds affair woudl leak out before the dinner. It did not, and Hawke made his speech, shame-faced, not looking at his audience throughout his speech. "I was too ashamed to look at them. That my Party had done that"... Kornhauser recounted Hawke telling him after the story broke. While Kornhauser and Hawke did not tell distinguished members of Australian Jewry about the affair, it is difficult to believe that one or both of them did not pass the message on to Mossad.

Eddie Kornhauser was named in a 1959 Sydney liquor licensing application as a front for Abe Saffron in a hotel that Kornhauser operated. Kornhauser has since gone his own way, it seems, and is now a man of immense wealth. But given the role of organised crime throughout the other loans affairs and of Saffron himself, it is an interesting connection.

Blanche d'Alpuget speaks with scorn of the suggestion by Bill Hartley that Hawke leaked the story to Murdoch and to Laurie Oakes. No one can deny that Hawke was out to get Whitlam. It was Hawke's anxiety to get Whitlam which was matched only by Murdoch's determination, that in fact helped save Whitlam.

On March 7, Murdoch's Daily Telegraph carried a front page story , "Hawke to axe Whitlam" based on Hawke boasting over drinks that "Gough's gone a million". Whitlam photostated the Telegraph story and circulated it widely. Hawke was in the hot seat and was seen as an accomplice in Murdoch's attempt to replace Whitlam as leader. Whitlam survived and Hawke's stocks in the ALP slumped dramatically and were not to recover for many years.

It was amazing that Whitlam, Combe and Hartley should have engaged in the "Iraqi loans affair" after experiencing the manipulation and destabilisation caused by all the other loans affairs in 1975. It was even more amazing that Bill Hartley, who knew Fischer's past, should agree to him being the intermediary.

But in the emotional aftermath of the Kerr Coup and faced with a desperate shortage of funds and convinced that the Liberal and National Country parties were receiving funds from multinationals and the CIA, Whitlam's recklessness in engaging in the Iraqi fund-raising is more understandable. If the conservatives got money from overseas, why not the ALP? they rationalised.

These three kept the fund-raising to themselves, well aware that Hawke and other pro-Israeli elements would raise hell if they were not informed. If the $500,000 came through, they believed they could have won party support. But they should have been aware that ASIO was paying great attention to the ALP response to the Kerr Coup. Moreover, Hartley's reckless use of his telex to Iraq should have also alerted the others to the dangers. With so many Khemlani, Harris and other telexes having filled the media in the previous months, the very suggestion of the use of a telex should have sounded alarm bells.

Whitlam: lame duck

Gough Whitlam survived the Iraqi affair, but the media was filled with speculation about his successor. The media regarded Whitlam as a "lame duck" leader. Hayden and Hawke were mentioned in press speculation, But the media also speculated that another popular Labor leader, Premier Don Dunstan from South Australia , would move into federal politics and take over the Labor leadership from Whitlam. But Don Dunstan was himself soon to become a target for destablisation.

Well might they say God save the Queen, because nothing will save the Governor-General -- Whitlam, November 11, 1975..

Mr Smith reads Kerr's proclamation on parliament house steps, November 11, 1975, while Whitlam prepares to urge the people to "maintain their rage".

10. The Ceruto Affair

In February 1979, Donald Allan Dunstan resigned as Premier of South Australia. Dunstan was ill and in a state of nervous collapse. He had been premier since 1967 and had introduced a fresh element of reform into Australian politics. He was no radical economic reformer, but did leave his mark in the field of social and cultural reform and made Adelaide something of a mecca of tolerance and culture in Australia.

The fall of Don Dunstan was in large part the result of a conspiracy, involving some of the same forces that brought down Connor, Cairns and finally the Whitlam government as a whole. Therefore it is important to include the Ceruto affair in this book, even though it had nothing to do with overseas loans-raising....

On April 11, 1978, two journalists Des Ryan and Mike McEwan met organised crime figure Abe Saffron in the Adelaide offices of barrister Kevin Borick. With Saffron was Peter Vardon Fairweather, Saffron's Adelaide business manager and accountant. The meeting had been arranged by Saffron's Adelaide solicitor Frank Webster, who was also present.

A few weeks previously, Webster had approached Ryan and McEwan, telling them that Saffron wanted to institute defamation proceedings against Don Dunstan and Attorney-General Peter Duncan. In parliament on March 7, 1978, Duncan had exposed Saffron's business dealing in Adelaide and named him as an organised crime figure. The attack became nationwide news. Webster explained to the journalists that Saffron knew Duncan had spoken under parliamentary privilege, but hoped to show that both Duncan and Dunstan had conspired outside parliament to ruin his business interests in Adelaide.

After Duncan had launched his attack on Saffron, Dunstan had attacked the journalists Ryan and McEwan in parliament, accusing them of trying to link him with Saffron. In the process, Dunstan mentioned their investigations into a former member of Dunstan's staff, John James Lang Ceruto.

Webster thought the two journalists and Saffron had common grounds to act against Duncan and Dunstan and introduced them to the barrister, Borick. Borick wondered whether they had a dossier on Saffron that Duncan had handed out to journalists after his speech in parliament and whether this constituted grounds for defamation. The journalists knew there were no grounds for defamation, but played along. They agreed to hand Borick a copy of the Saffron dossier which Duncan had circulated, if they could meet Saffron personally. As so the April 11 meeting was set up.

At the meeting, Saffron denied knowing Ceruto, while Fairweather denied a story that Ceruto had earlier told the journalists. Ceruto had said the Fairweather had once approached him in Sydney to ask him to intervene with Dunstan to help gain approval for a blue-movie house over Saffron's La Belle restaurant in the centre of Adelaide. Ceruto claims he refused to do do. Fairweather said he had never met Ceruto.

Ceruto has first met Ryan and McEwan on February 7, 1978. Unknown to the journalists, Ceruto tape recorded the conversation. Ceruto refuted virtually everything put to him on his links with Saffron and Dunstan. He later claimed he phoned Dunstan after the journalists left and told him he "had nothing to worry about". But it is difficult to believe anything Ceruto claimed, as will become clear later.

QUOTE: It was a muck-raking exercise, based on the bigoted social prejudices against homosexuality...

On March 2, 1978, the journalists met Ceruto for a second time. They had learned that Ceruto had tape recorded the first meeting. They aggressively questioned Ceruto on the tape recording and on his heroin trafficking. In the end, Ceruto stormed out from the room. A few days later, Dunstan launched the attack on the journalists and named Ceruto.

On March 21, Judge Roy Grubb in the licensing court placed severe restrictions on the licence of Ceruto's Adelaide restaurant Tramps, after hearing a series of complaints. Judge Grubb launched a scathing attack on Ceruto. The restaurant went into steep decline and Ceruto soon had to close the disco of the restaurant, at about the time Saffron met the two journalists.

On May 23 , the previously uncooperative Ceruto phoned the journalists and asked to meet them. The meeting took place at Ceruto's house at 4pm that afternoon. He complained about Grubb's decision and Dunstan's speech in parliament which named him. Then without explanation, Ceruto handed Ryan and McEwan a blue metal box. Inside were letters, allegedly from Dunstan to Ceruto , dating from the early seventies, allegedly phased in "affectionate terms". Ceruto said he had had a love affair with Dunstan at the time.

Ceruto told the journalists he wanted "to get the matter off his chest, that he was heartily sick of being the target of snide remarks and gossip" concerning the nature of his relationship with Dunstan. "He wanted to clean the slate and start afresh". The journalists suggested collaborating with him to write a book, and Ceruto agreed. That book became It's Grossly Improper which included in its appendix copies of some of Dunstan's alleged letters to Ceruto. It was a muck-raking exercise, based on the bigoted social prejudices against homosexuality.

We have however drawn the account of Saffron's involvement and how the journalists came across the story from the book. It seems clear that the journalists had little reason to lie concerning Saffron's involvement and that they may have rather excluded some of the details, rather than include some invention.

Why did Ceruto change his mind ?

In March 1978, Ceruto had refused to give the journalists any information. Two months later, he provided them with all they needed. Why did he changed his mind? The fact that Saffron met with the journalists in April, a month before Ceruto changed his mind, must give rise to suspicion that Saffron "persuaded" Ceruto to co-operate with the journalists.

Reading the journalists' accounts of the above meetings, one would think that Ceruto at this time was a calm and rational person. However, later in the book, they state that Ceruto was a hopeless heroin addict in the first half of 1978 and had been so for some time. In August 1978, after the journalists got everything they could from him, Ceruto entered hospital suffering severe withdrawal symptoms and resumed a methadone program.

In March-May 1978, Ceruto was having other problems.

In September 1977, Justice Woodward had begun his inquiries as head of the NSW Royal Commission tino Drug Trafficking. Woodward first investigated the murder of anti-drug campaigner Donald Mackay in Griffith NSW, which led him to Robert Trimbole and the Griffith marijuana empire. But Woodward also spread his net much wider. By early 1978, he was on the trail of several big drug smuggling syndicates with which Ceruto was intimately linked with as the "Adelaide connection". On July 31, 1978, police turned up on Ceruto's doorstep with search warrants and a summons for him to appear before the Woodward Royal Commission. Ceruto had been fully aware back in May that Woodward was on his trail, or at least that of his close associates.

In early April, Ceruto "bowed to pressure from his friends and sought help from the Alcoholism and Drug Addiction Centre at Hillcrest Hospital". (Grossly Improper p 186). Although he went on a methadone program, Ceruto continued to shoot up on heroin and drink heavily. It was in this state that he saw the journalists on May 23.

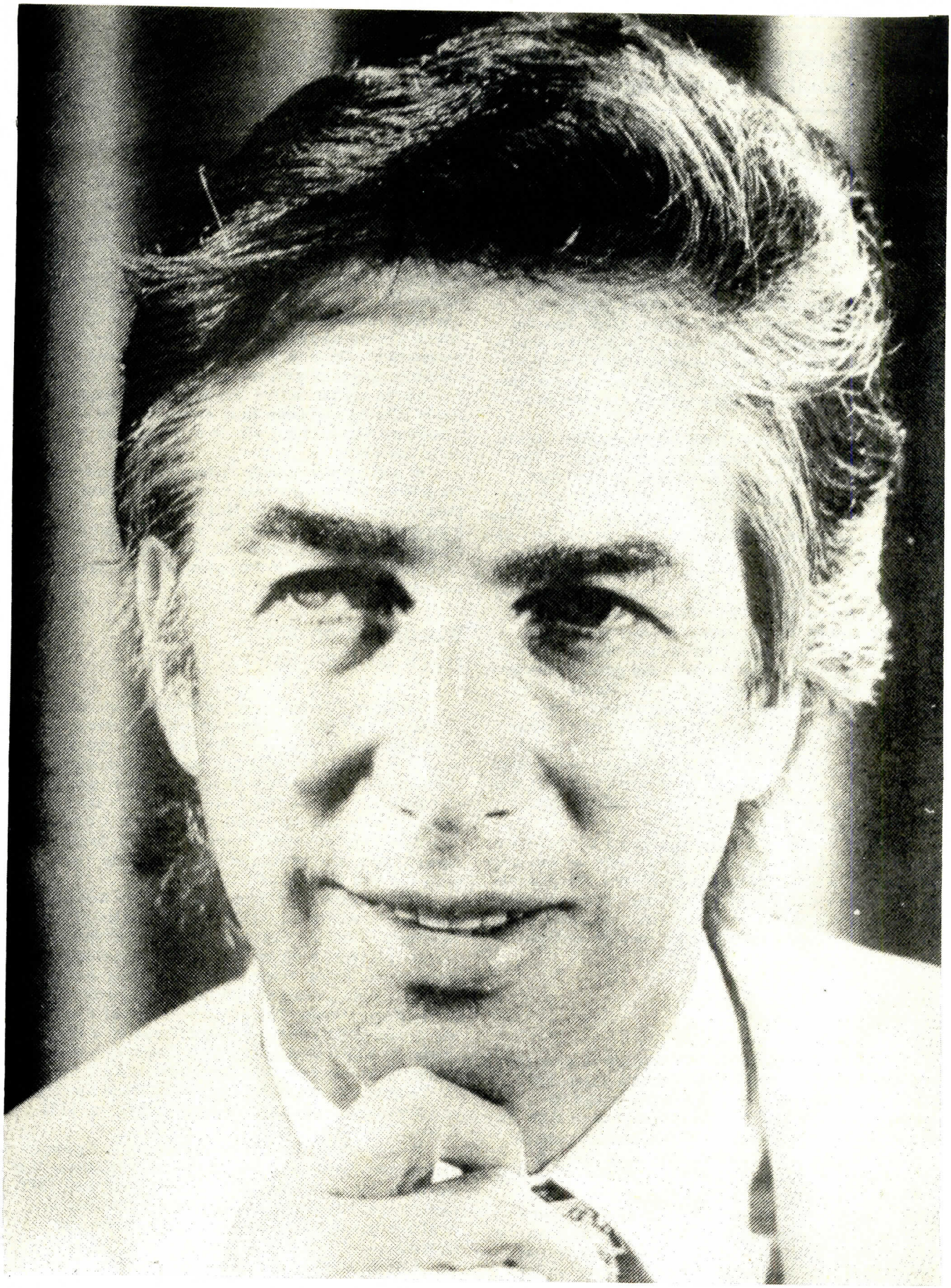
Woodward on the track of Ceruto

Ceruto's "friends" who "pressured" him in April to "seek help" for his addiction were his heroin syndicate associates who were obviously worried that he would be unable to resist intensive questioning by Woodward's investigators if he was hopelessly addicted. Ceruto knew far too much for the heroin syndicate to take the risk. One may well ask whether Ceruto's "friends" who "pressured" him in April to break his heroin habit, also pressured him in May to co-operate with the two journalists.

In his October 1979 report, Justice Woodward put Ceruto at the centre of a whole series of heroin syndicates. Among Ceruto's close associates were Neville Stevens, a major trafficker suspected by Woodward of murdering Marie Hisshion, a drug dealer; Colin Courtney, head of another major heroin syndicate; Roger Vernon Niblett, a member of the Courtney group; John Edward Milligan, head of a drug syndicate which overlapped with Courtney's and the French Corsican network; Alexander Gajic, the "Melbourne connection" for many of these syndicates and dozens of others. (Woodward Report, pp 1231-1336).

It is unnecessary here to trace the intricate interconnections between these different syndicates. It is worth noting, however, that at least until late 1977, Ceruto was not only the major heroin supplier in Adelaide but was also Gajic's major supplier for Melbourne.

Ceruto and his associates were middle-level operators in heroin trafficking. Above them were others and above those still others, the financiers of the major heroin importation and distribution operations.



Don Dunstan -- Premier of South Australia in 1978...

QUOTE: It was none other than Saffron's Adelaide solicitor, Frank Webster who stood as Liberal candidate for Dunstan's former seat ....

Any concern among Ceruto's "friends" about him talking too much if heavily addicted would have been much greater among those higher up the ladder.

One of the higher echelon drug bosses associated with Ceruto and his friends was Karl Frederick Bonnette , a close associate of Neville Stevens who in turn allegedly provided much of the transport and other arrangements for Ceruto's drug trafficking. It was at Bonnette's Double Bay home in Sydney that the infamous"Double Bay summit" of organised crime figures was alleged by police to have taken place in 1972, to divide up control of crime in the city. Justice Woodward found that "Bonnette was involved in (Murray Riley's huge Anoa drug) importation albeit not directly but as a financial investor". (Woodward p 1388). Bonnette was both an "investor" in, and a wholesaler of, major drug importations, Woodward reported. He was referred to by an associate as "the godfather" (Woodward p 1376) and was (and is) a person feared within the drug scene.

Given Ceruto's close associations with major heroin syndicates and his heavy addiction to heroin, and his desperate situation in May 1978, it is possible to dismiss his explanation to Ryan and McEwan in May 1978 that he wanted to make "a clean break" . Almost certainly, he decided to hand over the alleged Dunstan letters to the journalists after "persuasion" by his "friends".

Whether Saffron intervened personally to "persuade" Ceruto, or whether he got Fairweather, Bonnette or some other associate to do it, does not alter the strong likelihood that Ceruto's change of heart in May 1978 was the work of Abe Saffron. This is made even more likely by the fact that Saffron continued his interest in production of It's Grossly Improper well after Ceruto had handed over the letters.

Saffron offers money for book printing

After the book was written, Ryan and McEwan say they were approached by an unnamed Adelaide lawyer. The lawyer knew that the journalists could not get their book published through normal publishing channels and offered them $10,000 to print and distribute it privately. The lawyer said his only interest "was to do political harm to Dunstan".

A couple of days later, the lawyer said he would give them $5,000 immediately for the printing of the book. Thejournalists claim they rejected this offer but they do not explain where the money to print and distribute the book eventually came from.

Many months later, after Dunstan had resigned, the journalists said Saffron's man in Adelaide, Peter Fairweather confirmed to them that at least part of the money offered by the Adelaide lawyer would have come from Saffron, although Fairweather refused to say how much. Ryan and McEwan concluded that this episode showed "Saffron's eagerness to seek retribution against Dunstan for making life so damned difficult for him in South Australia... and how very close we came to financing this book in a way that would have made Dunstan's personal vendetta charge against us appear to be a gross understatement". (Grossly Improper, pp 228-229). Of course, as the journalists do not explain how the publication of the book was financed, we do not know whether, in the wash-up, Saffron did not in fact finance the book, with or without the authors' knowledge.

Saffron's "eagerness for retribution" almost certainly accounts for Ceruto's decision to hand the Dunstan letters to the journalists. Saffron was a man of such power that he was unwilling to accept that a government should "make life so damned difficult" for him. When politicians cannot be bought, there other ways of dealing with them...

Despite their protestations that they were only "objective journalists", Ryan and McEwan were also willing accomplices in destroying Dunstan. Readers can judge for themselves whether to believe the journalists' denial that they received money from Saffron. Certainly, allegations that they were receiving $500 a week from the Liberal Party were around as early as August 1978. It is a charge that Ryan and McEwan did not bother to deny. (Grossly Improper, p 206).

Ceruto depositor with Nugan Hand

The links between Saffron and the Liberal Party are very, very clear. After Dunstan resigned in February 1979, it was none other than Saffron's Adelaide solicitor, Frank Webster, who stood as Liberal candidate for Dunstan's former seat of Norwood. Fortunately for South Australia, Webster did not win the seat. (Grossly Improper p 78). In September 1979, however, Dunstan's successor as premier, Des Corcoran foolishly called an early election which the Liberals won but without Webster this time as a candidate.

The Liberal Party endorsement of Frank Webster for Dunstan's seat was almost certainly a "thank you" to Webster and Saffron for services rendered. Were other "thank-yous" given after September 1979?

But the story does not end there. The collapse of the Nugan Hand "bank" in 1980 led to many revelations about the bank's links with drug traffickers, including with Ceruto himself and many of his friends.

Ceruto was a client of Nugan Hand. Colin Courtney, whose Nugan Hand deposits are said to have totalled $400,000 , withdrew $120,000 from his Nugan Hand account to finance the renovation and establishment of John Ceruto's Tramps restaurant in Adelaide in September 1975. (Joint Police Task Force report page 356). Saffron himself had close business and other ties with Nugan Hand and with its Bernie Houghton in this period and was a Nugan Hand depositor, including through 1977 and after. (JPTFR page 420-423).

Nugan Hand may well have played a role in the Ceruto affair. It's worth recalling that in June 1979, Frank Nugan was instrumental in sending a forged letter, supposedly signed by NSW Attorney-General Frank Walker, to the Union Bank of Switzerland, with $US 2,000 and $Aust 1,500 in cash, to supposedly open a secret bank account. It was an attempt by Nugan to discredit or to blackmail Walker. Walker had

QUOTE: From then on, the Ceruto and Salisbury affairs were interlinked.. ASIO is about as forgiving as Abe Saffron is...

earlier set up a NSW Corporate Affairs Commission inquiry into the Nugan Group, the family company run by Frank's brother, Ken Nugan. Perhaps Nugan Hand channelled money to Ceruto to help him change his mind and co-operate with Ryan and McEwan ?

Nugan Hand and Bernie Houghton were in turn closely linked with the CIA and ASIO. This brings us to another major aspect of the Ceruto affair -- the involvement of ASIO and Special Branch.

In 1978, ASIO, the CIA and other intelligence agencies were extremely angry with Don Dunstan, following his dismissal of South Australian Police Commissioner Harold Salisbury on January 19, 1978, for misleading the Labor government about the activities of the SA Special Branch. The sacking of Salisbury followed a two-month inquiry by Justice White whose report was a damning indictment of the Special Branch. Whilte revealed, among other things, that the Special Branch had held a file on Premier Dunstan himself !

After the White report was released, McEwan attended Dunstan's press conference and provocatively asked Dunstan whether he was aware that " the Special Branch may have been investigating you because of your association with certain people in South Australia... such as John Ceruto?"

Dunstan replied: "Oh, come now, this is grossly improper and you know it. It's grossly improper and scurrilous".

Dunstan complained to McEwan's employer, radio station 5DN, and banned him from future press conferences. From then on the Salisbury and Ceruto affairs were interlinked. I have chosen to separate them in this chapter, so that the two strands may be more easily understood.

The sacking of Salisbury aroused conservative elements in South Australia and elsewhere to a fury of indignation. McEwan and Ryan resigned from 5DN and were soon after approached by two unnamed Liberal MPs who offered to set up a "fighting fund" for them, with the support of a group of wealthy businesspeople. The journalists claimed they rejected the offer.(Grossly Improper, page 65).

On January 25, 1978, the Liberals mobilised some 10,000 people in a demonstration in support of Salisbury. On February 11, Dunstan announced that a Royal Commission headed by Justice Roma Mitchell would inquire into whether Salisbury's sacking was justified. Mitchell later found the government had acted with justification.

At the Royal Commission, Salisbury revealed that Special Branch agents were paid by ASIO and that,in effect, the Special Branch was a branch of ASIO. The Special Branches of the state police forces were ASIO's footsloggers. They had accumulated dossiers on hundreds of thousands, if not over a million Australians, overwhelmingly on the left and Labor side of politics. The destruction of the Special Branches, or strict control over them (if that is ever possible), was perceived as a deadly threat by ASIO and its big brother, the CIA.

By attacking the Special Branch and sacking Salisbury, Dunstan had taken his most radical political act as premier, probably without being aware of the extent to which he had touched a very sensitive nerve in the real power structure in Australia. It was as dramatic, in its own way, as Lionel Murphy's "raid" on ASIO headquarters in March 1973.

And the CIA and ASIO reacted in very similar ways...Whether the SA Special Branch file on Dunstan did, as McEwan implied, have references to John Ceruto and his alleged relations, including sexual with Don Dunstan, is not known. But if it did not, ASIO would certainly have heard the rumors and seen Ceruto as the weak link in Dunstan's armor.

It is only natural to suspect that ASIO and the CIA played a role behind the scenes in the Ceruto affair. For many years, Saffron maintained the closest ties, from Police Commissioners down, with the NSW police, and of course with the corrupt Premier Askin. Nugan Hand and Houghton, who were close to Saffron, were linked with ASIO and the CIA. In this web of inter-relationships between Saffron and the intelligence services, it is not inconceivable that a deal was worked out on the basis of mutual interests in destroying Dunstan. ASIO is about as forgiving on such matters as Abe Saffron is...

Later in this book, we shall examine in greater detail Saffron's intelligence links, proved and unproved.

John Ceruto under heroin addiction, 1978

QUOTE: The main players in the Ceruto affair were fully aware that Adele Koh had terminal cancer...this did not stop them...

Dunstan's enemies chose a tragic moment to seek to destroy him. In December 1976, Don Dunstan married Malaysian-born Adele Koh, who had joined his staff in 1973 as a research assistant. The marriage ended once and for all any contact between Ceruto and Dunstan. They had in any case become increasingly distant, as Ceruto went beyond smoking the occasional joint to experimenting with heroin and finally becoming addicted to it. Dunstan kept contact with Ceruto at a minimal level to try to get him out of the heavy heroin circles in which he was mixing. By 1978, the contact was virtually non-existant.

In October 1977, Koh had a miscarriage, but apparently emerged from the ordeal physically unscathed. However in March 1978, she was diagnosed as having terminal cancer with only a few months to live. The months from March 1978 until Adele Koh's death in October 1978, were months of personal agony and tragedy for Don Dunstan. Her death affected him deeply. That, with the Ceruto affair, almost destroyed Dunstan both mentally and physically.

The main players in the Ceruto affair were fully aware that Adele Koh had terminal cancer. This naturally did not stop them from their brutal task and may even have encouraged some of them. After all, with Dunstan already shattered by this personal tragedy, he would be much more vulnerable to the blows that were directed against him.

It should be stressed that at no time do Ryan and McEwan even hint that Dunstan was involved in any way in Ceruto's drug trafficking.

But Ceruto, even with a Liberal government in power in South Australia, would not let the matter rest. At the launching of It's Grossly Improper in Adelaide on February 4, 1980, Ceruto gave a sickening performance.

It was his relationship with Dunstan, "living a lie" that had driven him to heroin, he said. In the end, "I realised that I had been manipulated by a very clever man and that my life was in ruins". It was a lie of psychotic proportions, which is clear even from the account of Ceruto's life in the book he was launching.

Ceruto's speech should have been treated with the contempt it deserved, but the Liberal government decided to use it. Some months later, it was referred to the Liberal Attorney-General KT Griffin by Premier Tonkin for an "opinion", which was dutifully presented on August 27, 1980. The outcry at such miserable political manouvring was such that the Liberals shrank somewhat shame-faced from what they had done.

The revenge of organised crime and the intelligence services, as well as the Liberal Party and the Adelaide Establishment , reached far. The reason for the revival of the Ceruto affair in August 1980 was not hard to find. Don Dunstan's son by his first marriage, Andrew Dunstan, was campaigning for the coming federal elections as ALP candidate in the Liberal-held seat of Sturt. But the smear campaign went even further : the Liberals, Andrew Dunstan said, were spreading rumors in the electorate that he was a homosexual. "They tried in on my father and now they're trying it on me". (Sunday Telegraph, September 28, 1980).

Andrew Dunstan did not win the seat.

11.The CIA connections

On the eve of the Australian elections of December 1972, the CIA and the US Embassy in Canberra confidently predicted a victory for Billy McMahon and his Liberal-National Country Party coalition. The error was quite incredible given the public opinion polls and all other indicators pointing to a Labor victory.

Soon after receiving news of Labor's victory, Ted Shackley, the hardline head of CIA's East Asia Division , ordered that the flow of CIA information to ASIO and other Australian intelligence services be discontinued. But the CIA's chief of station in Australia, John Densley Walker persuaded the CIA not to do so, as there was a risk that the Whitlam government would retaliate by closing down Pine Gap and other vital US electronic spy bases. (NT Nov. 9-15,1980).

The next crisis was not long in coming. Whitlam and his ministers refused to allow ASIO to carry out security checks on their private staff. The CIA threatened to cut off information to ASIO, but again Walker intervened and Whitlam in any case soon after agreed on the security checks.

Immediately after President Nixon ordered the bombing of Hanoi at Christmas 1972, three Labor ministers, Cairns, Cameron and Uren, publicly condemned the bombing as acts of barbarism. Whitlam wrote a more subdued protest to Nixon, pointing out the loss of civilian life the bombing would cause. Nixon flew into a rage and threatened to tear up the ANZUS Treaty. This time Marshall Green, the newly-appointed US Ambassador to Canberra saved the situation. (Marshall Green in the film Allies).

Thus, with the first month of Labor taking office, three crises erupted, with Nixon or the CIA each time threatening to break intelligence relations and worse.

The CIA continued to regard the Whitlam government with grave suspicions , which reached a new height after the "ASIO raid" by Attorney-General Lionel Murphy in March 1973.

Murphy had asked ASIO for its files on the fascist Ustasha terrorists because of his concern for the safety of the Yugoslav Prime Minister who was soon to visit Australia. The meagre information ASIO gave Murphy convinced him they were holding back information.

The Ustasha had been responsible for a number of bombings in previous years, but Liberal Attorney-General Senator Ivor Greenwood had denied the Ustasha existed in Australia and had gone out of his way to defend the "Croatian nationalists". Liberal politicians, including former Prime Minister McMahon , had attattended Ustasha-front functions and expressed sympathy with their demonstrations. It was no secret that ASIO shared these views. The matter was all the more urgent as the latest Ustasha bombing in September 1972 in the heart of Sydney had led to maiming and other serious injuries.

Murphy decided to fly to Melbourne and personally inspect files on the Ustasha at ASIO's St Kilda Road headquarters. Unknown to him, an aide, Kerry Milte, a former suprintendent of the Commonwealth Police , arranged for the Commonwealth Police to seal off ASIO's HQ. The media soon got wind of it and when Murphy arrived, the building was surrounded by police and the media. Commonwealth Police were happy to co-operate; they had no love for ASIO after years of inter-bureaucratic rivalry.

Murphy did in fact find evidence that ASIO had not provided him with vital files on the Ustasha, but

QUOTE: The ASIO hardliners put Barbour himself under surveillance ... with the assurance from the American end that they would be looked after if anything went wrong...

the raid of ASIO and the use of police quickly became the centre of media and Opposition attention.

After the "raid" , on March 16, Whitlam called ASIO director-general Peter Barbour into his office. Whitlam made a spirited attack on ASIO for the first 20 minutes. Barbour later expressed some concern at the raid, but, according to persons present, it did not amount to a complaint.

In parliament, Whitlam said Barbour had not complained to Whitlam about the "raid". Naturally, other hardline senior ASIO officers -- and the CIA -- then tried to pressure Barbour into contradicting Whitlam, but he refused to do so.

The ASIO hardliners and CIA were not content to let matters rest there. Without Barbour's knowledge, a telex was sent from ASIO HQ to its state branches, stating that, Barbour had complained to Whitlam about the "raid". Naturally, the text of the telex was soon leaked to the media. The telex was exposed as false and the ASIO officer who sent it retired soon after.

But the ASIO hardliners went even further. They put Barbour himself under surveillance "with the assurance from the American end that they would be looked after if anything went wrong"! (NT November 9-15, 1980).

James Jesus Angleton: CIA hardliner

Later, in 1975, three ASIO officers gave secret evidence to the Hope Royal Commission into Australian intelligence services. Their evidence concerned Barbour's personal relationships. They also passed on a complaint from the CIA about Barbour's travels overseas with a female secretary. Whitlam was told and welcomed the opportunity to sack Barbour , appointing him consul-general in New York. He was not aware that Barbour's sacking pleased ASIO and the CIA hardliners who wanted revenge on Barbour for refusing to compromise Whitlam in March 1973. If Whitlam had been shown to have lied to parliament, his political future would have been in grave doubt.

In June 1977, James Jesus Angleton who in 1973 was the long-serving head of the CIA's counter-espionage section, gave a revealing interview to the ABC. The Americans' relationship with the Whitlam government was not affected, he said, despite CIA misgivings about the Labor government, "until his Attorney-General Murphy barged in and tried to destroy the delicate mechanism of internal security which had been built on patiently since the end of World War II... We were deeply concerned as to the sanctity of the information which could compromise sources and methods and would compromise human life. ... In spite of this, we did not break off the relationship... We had to apply our mind to that situation and our conclusion was that, in spite of Murphy, in spite of the others, we could continue the relationship in good faith and I believe our judgement was justified. The Australian people simply did not put him back in office". (CIA's Australian Connection page 76).

Murphy acted like a "bull in a china shop", Angleton added. "How could we stand aside without having a crisis, in terms of our responsibilities as to whether we would maintain relationships with the Australian intelligence services". (CIA's Connection , page 76-77).

We can assume that it was from March 1973 that the CIA destabilisation campaign began in earnest.

CIA's $2,400,000 for Liberals...

It was in March 1973 that the CIA allegedly passed on$2,400,000 to the Liberal Party. This claim cannot be confirmed as it was made verbally to South Australian Corporate Affairs Commission officers investigating Karl Schuller, a con man employed for some years by Nugan Hand. No confirming documents exist and if they did were perhaps the thousands destroyed after Nugan's death.

According to the source, the $2.4 million was passed by the CIA to Frank Nugan, who then passed it on to advertising man and rightwinger John Singleton. Singleton in turn allegedly passed it on to Sir Robert Askin , the former Liberal Premier of NSW. Askin then passed the money (or most of it) to Liberal Party coffers in ways not known, but possibly through Philip Sydney-Jones, the NSW Liberal Party treasurer who was also a director of Transia Corporation.

Soon after, Singleton founded the far-rightwing Workers Party amid a blaze of publicity. Did some of the CIA money go to help him in this task? Nugan Hand certainly donated to Singleton's party.

In mid-1973, Nugan Hand Needham Ltd, a "merchant bank" and the forerunner of Nugan Hand Ltd was incorporated in Sydney. Was the timing coincidental? More on this and CIA ties with Nugan Hand later.

It was also in March 1973 that Whitlam discovered that ASIS had spies operating in Chile against the progressive Allende government and in the service of the CIA. Whitlam had earlier asked ASIS director William Thomas Robertson for a list of all ASIS operatives overseas. He then ordered ASIS to end all operations in Chile. The CIA was not pleased.

While foreign minister, McMahon had approved the placing of two ASIS operatives in October 1970, to help the CIA. By 1973, the two ASIS men were running three Chilean agents for the CIA.(SMH, January 28, 1983).

Whitlam's decision to order ASIS out of Chile came at a delicate time for the CIA. It was running a major destabilisation campaign to bring down Allende. This succeeded six months later, in September 1973, with the military-fascist coup and President Allende's murder.

In fact, it was not until May 1973 that ASIS handed its three Chilean agents back to the CIA and only in July 1973 that the senior ASIS man left Chile. The junior man remained until October 1973.

When Whitlam discovered that ASIS had kept a man in Chile, it looked as though Robertson would be sacked. However Robertson explained that the ASIS

QUOTE: Jockel himself was put under surveillance by the ASIO hardliners but Whitlam brushed their report aside ...

man was "on leave"due to overtime accumulated prior to May 1973. Robertson -- for the moment -- survived. (SMH, January 28, 1973).

In June 1973, Whitlam received a report from Gordon Jockel, head of the Joint Intelligence Organisation (JIO), which was supposed to co-ordinate all intelligence information. Jockel and a senior Foreign Affairs official, Lewis Border, reported that "ASIS has engaged for some time in operations that are no longer appropriate", especially ASIS "Special Operations" or "dirty tricks". (SMH, January 28, 1983).

After this, Jockel himself was placed under surveillance by ASIO hardliners who had Barbour under surveillance at the same time ! The purpose of this operation against Jockel was to discover details of Jockel's private life, and, according to one source, the nature of his links with Indonesians in Canberra. ASIO hardliners later put their findings on Jockel to the Hope Royal Commission and Whitlam was again informed. This time however , Whitlam brushed aside the ASIO hardliners' claims. (NT Nov. 9-15, 1980).

We can only assume that the ASIO hardliners who put Jockel under surveillance had support from both the CIA and ASIS.

By mid-1973, a unique coalition was in place : ASIO hardliners were allied with CIA hardliners (particularly Angleton and Shackley) . This alliance represented the most fanatical and conspiratorial groups in the respective organisations. Its godfather figure was Angleton, whose life-long search for the KGB mole at the very top of the CIA threw the CIA itself into such turmoil that Angleton himself was finally sacked on the grounds that only a KGB agent could cause the damage he had in his search for a KGB mole !! His ASIO counterparts today continue their search for the top-level KGB mole supposedly at the top in ASIO. This campaign is waged in large part through the columns of Santamaria's Newsweekly and at times in Murdoch's Australian.

Watergate & the CIA dirty tricks

In mid-1973, the CIA was already at the beginning of its agonies which flowed from Watergate. James Schlesinger was appointed CIA director in December 1972 and ordered a purge of the "dead wood" from the CIA, particularly from its "dirty tricks" divisions. About seven percent of CIA staff soon went. (Honorable Men, pp 331-337). In charge of the purge was William Colby who proposed that Angleton also get the boot. But Angleton survived for the moment.

In May 1973, a court case uncovered the fact that Watergate burglar and CIA officer Howard Hunt had also burgled the office of the psychiatrist of Daniel Ellsberg, the publisher of the Pentagon Papers which had exposed the secret history of the Viet Nam War. Hunt had used CIA equipment and resources for the burglary. Schlesinger and Colby were caught by surprise and ordered all CIA officers to tell them everything they knew about the Agency's dirty tricks.

In May 1973, Schlesinger was made Defence Secretary and Colby promoted to CIA director. Schlesinger and Colby agreed that the Senate Committee which was to review Colby's suitability for the CIA director's post should be given the long list of CIA criminal activities that had been compiled. That was the beginning of the Senate and Congressional inquiries into the CIA's activities which led to Colby spending much of his time in 1975 giving public evidence of these activities.

Between May and September 1973, when Colby finally took up his post, General Vernon Walters was acting CIA director. Walters was, and is,a notorious hardliner. He is today Reagan's roving ambassador, concentrating particularly on Central America where he is organising the CIA covert war there. He also found time to visit New Zealand just prior to the victory of the anti-nuclear Lange government...

Walters was in charge during the crucial months before the overthrow of Allende , which occurred a few days after Colby took office. (This is not to say that Colby was not fully aware what was happening).

The crises came thick and fast. In October, war broke out between Israel and Egypt. Colby commented: "In addition to crises like these -- and there were others from coups in Cyprus and Portugal to a nuclear explosion in India and a leftwing and possibly antagon-

NSW Liberal Minister Eric Willis patronises Ustasha gathering in Sydney in late sixties.

QUOTE: By the end of 1973, the CIA was in turmoil but Kissinger had another string to his bow... this was the ultra-secret Task Force 157...

istic government in Australia -- the regular business of intelligence had to go on as well". (Honorable Men, page 368 -- emphasis added).

It is highly significant that Colby puts the Whitlam government into the same"crisis league" as the April 1974 revolution in Portugal; the world crisis over Cyprus (leading to a Turkish invasion) ; India obtaining nuclear weapons and a Middle East war which resulted in US bases around the world being put on nuclear alert including the spy base at North-West Cape, without the knowledge of the Whitlam government !

Colby tells us nothing more about how the CIA dealt with this "leftwing and possibly antagonistic government in Australia". In later comments, he has tried to play down CIA concern with Australia in 1973-1975. But his previous words show that Australia was a top-level, top-priority CIA "problem".

In December 1974, Colby forced Angleton to retire. He had discovered that Angleton, who controlled CIA operations in Israel and its contact with Israel's Mossad, did not allow the CIA in Israel to co-ordinate with the CIA in Arab countries !
By then, the Watergate investigations were fully under way; Nixon was out of the White House; and Colby about to tell (almost) all he knew before Senate and House committees investigating CIA dirty tricks.

By the end of 1973, the CIA was in turmoil, but Henrty Kissinger, Nixon's National Security Adviser, had another string to his bow. This was the ultra-secret Task Force 157, formed a few years earlier under the formal control of the US Office of Naval Intelligence (ONI) but actually directed by the CIA through Shackley and Angleton and directly under orders from Kissinger himself. Task Force 157 had carried out numerous special messages for Kissinger and was deeply involved in an ultra-secret role, in the overthrow of Allende in Chile. In mid-1973, TF 157 was allegedly ordered to prepare the destabilisation of the Whitlam government We shall however look more closely at TF 157 and its most notorious member Edwin P Wilson in the chapter on Nugan Hand.

Troops cover for DSD Singapore base

If the CIA was angry with Whitlam's order that ASIS withdraw from Chile, they would not have been unhappy when Whitlam in Fenruary 1973 agreed to allow 600 Australian troops to remain in Singapore. The sole purpose of their presence there was to cover for 160 members of the Australian Defence Signals Directorate (DSD) operating a top-secret electronic syp base on the island. Whitlam had wanted to withdraw the troops, but Defence Department Permanent Head, Sir Arthur Tange had told him that the DSD base could not be relocated until 1975. However, on February 19, 1973, Brian Toohey in the Financial Review spread the whole story of the DSD Singapore spy base over its front page. The DSD base was then withdrawn and quickly relocated near Darwin. (SMH, January 27, 1983).

The ASIO and CIA hardliners blamed Whitlam for the leak to the Financial Review which confirmed them in the view that the new Labor government could not keep secrets. The DSD Singapore base was part of a worldwide network of US electronic spy bases run by the US National Security Agency (NSA), which has representatives in all DSD bases.

In October 1973, Rex Connor introduced a bill to establish a Petroleum and Minerals Authority. This was to be the means to "buy back the farm" -- natural resources -- from the multinational corporations. Much money was needed for such a project and Connor began to think of a petrodollar loan..This upset the multinationals and therefore the CIA ...

Meanwhile, Fred Daly,Labor's Minister for Services and Property, had introduced a bill for electoral reform which would have provided virtually one-vote, one-value, making it more difficult for the Liberals to win back power. In October 1973, Liberal Senate Leader Reg Withers approached then Liberal leader Billy Snedden proposing they block money bills in the Opposition-controlled Senate, in order to force an election. It was agreed that the only question was the right timing. Snedden resisted pressure for action until after the Gair affair broke. (Schneider, pp 17-19) In the subsequent election however, the Whitlam government was returned with a slightly reduced majority and still without control of the Senate.

During the 1974 election campaign a series of TV advertisements appeared authorised by Sir Robert Askin and allegedly paid for by John Singleton, who prepared the scripts. They featured a South Korean and an East European taxi driver among others, who painted the ALP as part of a worldwide communist conspiracy.

"I will destroy you": Singleton to Cairns

A week before the election, Dr Jim Cairns taped a TV interview in which the South Korean and east European taxi driver were also interviewed. After shooting the program, in which he demolished the two Singleton stooges, Cairns met Singleton in the TV studio. Singleton hugged him, saying: "Jim Cairns,you're a hero of mine. I've admired you all my life. " Cairns escaped the embrace and smiled. But Singleton added: "But I will destroy you and I will destroy the Labor Party (Dice Men, page 210).

It may have seemed an idle boast by a lowly if wealthy advertising agent . But as we have mentioned previously, Singleton were allegedly the intermediaries who passed CIA money, coming via Frank Nugan, onto the Liberal Party. Singleton may well have known more than he was prepared to say. We shall deal further with Singleton when we deal with Nugan Hand.

After the May 1974 election, Jim Cairns, the acknowledged leader of the Labor Left, was elected deputy Prime Minister by his fellow parliamentarians. The CIA was naturally alarmed. Andrew Campbell and Peter Blazey in their book on the 1974 election, The Political Dice Men (page 214) told of the CIA's

QUOTE: Jim Cairns was elected deputy Prime Minister and as far as Angleton, Shackley and ASIO hardliners were concerned he became the prime target in the CIA destabilisation campaign ...

reaction, attributing the statement to a "Canberra press gallery source" : "The CIA, upon hearing of Dr Cairns being elected to Deputy Prime Minister, expressed consternation to the 'highest levels' of the Australian government, referring to Cairns' activities in the peace movement, the anti-Viet Nam movement and in particular to Cairns' involvement in the (1971-1972) Prague-based World Peace Council".

Curiously, this piece of hot news was not published elsewhere by the "Canberra Press Gallery Source" A more plausible explanation is that Andrew Campbell obtained this information himself in his role as a full-time ASIO officer, a post he held at the time, as later revealed when Campbell made public allegations against the newly-founded Office of National Assessments. Certainly, Campbell was well-placed to verify whether this report of the CIA's reaction to Cairns' election as deputy Prime Minister was correct or not !

We can assume that this CIA reaction was very strong indeed and the protest probably went to ASIO. Here was a man who was a "friend of the communists" and who had led a 100,000-strong anti-war march during the Viet Nam Moratorium, who would be acting prime minister when Whitlam was out of the country and would be in line to become Prime Minister if Whitlam died or resigned for any reason.

Cairns was elected deputy Prime Minister at a time when Nixon was in his bunker at the White House, just a few months before his resignation; the liberation of Saigon was close ; William Colby and the CIA were facing an uncertain future. As far as Angleton, Shackley and the ASIO hardliners were concerned, this was no time to accept with resignation the assumption of such a high post by a man such as Cairns!

The Junie Morosi affair & Cairns

So Jim Cairns became the prime target of the CIA destabilisation campaign. Tirath Khemlani's meeting with Rex Connor in parliament house was only a few short months way, while Thomson, Senator Wood and others were preparing their plans...

Jim Cairns was also to help in his own destruction. In August 1974 he met Junie Morosi who had been recently appointed an assistant to Al Grassby, the government's Community Relations Commissioner. By December 2, Cairns had appointed her as the co-ordinator of his office, a task for which she was inexperenced and ill-suited and which she carried out with disastrous consequences for Cairns and his loyal staff.

Just how the CIA regarded the Labor government in 1973 and 1974 can be judged from the evidence given by former CIA officer Frank Snepp who was with the CIA in Saigon at the time. In the film Allies Snepp said that after December 1972, the CIA in Viet Nam was ordered to cut the supply of intelligence information to Australian intelligence services there. Snepp was told that the Australians might as well be regarded as "north Vietnamese". For the CIA, the Labor government was undoubtedly the enemy -- and it received the treatment reserved for the Vietnamese although no bombs were dropped...

In March 1975, ASIS had recruited an Australian, Frank Favaro, as its agent in East Timor. Favaro owned a plantation and hotel there, and more importantly, had one of the few privately-owned light planes there as well as his own two-way radio communications able to reach Darwin. Favaro provided ASIS with information about the fluid situation in East Timor after the formation of parties following the overthrow of fascism in Portugal.

But Favaro went about the capital of East Timor, describing himself as the"Australian consul" there. Foreign Affairs heard complaints about Favaro in October 1975 (after Fretilin had taken effective power and a few months before the Indonesian invasion). Foreign Affairs asked ASIO and ASIS if they had any links with Favaro. But before they could reply, Foreign Minister Senator Don Willessee told the Senate that Favaro had no official links with ASIO or ASIS. Favaro then wrote to Whitlam complaining about what he regarded as the niggardly payments he had received from ASIS! Whitlam was outraged, as he had instructed all services not to get involved directly in East Timor. He then asked for and obtained the resignation of ASIS director Bill Robertson on October 21, in the course of which Whitlam lost his temper and abused Robertson at the top of his voice. ASIO and ASIS were shocked -- as was the CIA. They had accepted the sacking of Peter Barbour the previous months without concern, but wanted Robertson to remain.

The Richard Stallings affair & Pine Gap

Shortly before the Robertson sacking, the Opposition had blocked Supply bills in the Senate after the resignation of Rex Connor. Soon after, Whitlam heard that journalists Brian Toohey was investigating a story which former CIA officer Victor Marchetti had told him in 1974. Marchetti had mentioned that he had received a letter from a friend and former CIA officer Richard Stallings, in which Stallings had expressed remorse about CIA dirty tricks in Australia in the sixties. Stallings, Toohey discovered, had been friends with National Country Party leader Doug Anthony. He had rented his Canberra home for six months in 1966 and was still on friendly terms with Anthony.

Whitlam was well aware of the CIA dirty tricks still being confirmed by Colby and others before US Senate and congressional hearings, and asked Foreign Affairs for a list of all "declared" CIA officers who had served in Australia for the previous ten years. Stallings' name was not among the list supplied. But Whitlam was told that another list of CIA officers was held by the Defence Department. This list was then requested and Stallings ' name found to be on it. Defence Department permanent head Sir Arthur Tange was furious and told the CIA of Whitlam's investigations.

On November 2, 1975, Whitlam used the information in a speech at an open air meeting in Port

QUOTE: Tange told Whitlam that it was absolutely critical that he deny that Stallings worked for the CIA in his reply on November 11...

Augusta, South Australia. " I have no association with the CIA money in Australia like Anthony has," he said. "They are getting more and more desperate, these men who are subsidised by the CIA". Anthony denied the allegation the next day, but while Whitlam had not named Stallings, Anthony did. He said that Stallings had rented his house in 1966 and that they had exchanged visits since, but, Anthony claimed, he was not aware that Stallings was CIA.

In parliament on November 4, Whitlam pointed out that it was Anthony, not him, who had named Stallings and said no one believed Anthony did not know Stallings was CIA. On November 6, Anthony placed a question on notice, asking Whitlam to substantiate the claim that Stallings was CIA.

Whitlam drafted a reply that afternoon, stating that he had been informed of Stallings' CIA employment not by Foreign Affairs, "but by the head of another of our departments".

Tange was horrified at the reply. Earlier, through Defence Minister Bill Morrison, he had tried to persuade Anthony not to pursue the matter. Whitlam said he would consider any alternative draft by Tange. On November 7, Tange was on the phone several times to Whitlam's private secretary on the matter, and on Monday November 10, told Whitlam's staff that it was "absolutely critical" that Whitlam deny that Stallings worked for the CIA. Tange mentioned that the US government was about to deny Stallings worked for the CIA. Tange meanwhile had informed the CIA of Whitlam's draft reply which was to have been given in parliament on November 11.

CIA in crisis early November 1975

In the meantime, however, Brian Toohey had published all he knew about Stallings, including the fact that Stallings had set up the Pine Gap spy base for the CIA, thus revealing for the first time that Pine Gap was a CIA installation. Meanwhile, in Washington on November 4, President Ford was urged to agree that the State Department issue denials that either the US or the CIA had funded Australian political parties, as "Embassy Canberra has been reliably informed that the Foreign Affairs and Defence secretaries would welcome" such a statement. Otherwise, the US State Department continued, "any delay would encourage Prime Minister Whitlam to continue impugning the US through cheap political shots at his opponents". (NT, March 21-27, 1982).

President Ford agreed and on November 4, 5 and 6 the US State Department issued denials that it funded Australian political parties . On November 6, however, Whitlam publicly repeated his allegation, but without giving any hard evidence.

The blow-up over the Stallings affair could not have come at a worse time for the CIA. On November 2, the day Whitlam spoke at Port Augusta, President Ford sacked Colby as CIA director, in part because Colby had been too forthcoming before the Senate committee. The CIA operation in Angola collapsed in the first week of November 1975; on November 1, the US CBS TV network blew the cover off CIA aid to Kurdish rebels in Iraq. On November 6, the US House of Representatives intelligence committee (the Pike committee) subpoenaed Kissinger to produce documentation on all US clandestine operations since 1965, and intelligence material on Soviet compliance with the 1972 SALT Treaty, which involved material received through Pine Gap. The Pike Committee was also hearing evidence of CIA funding of political parties in Italy, while the Senate committee was examining various CIA assassination plots. The CIA had revealed that 32% of funds for CIA covert operations was spent financing overseas political parties -- something that helped confirm Whitlam's suspicions. (NT November 9-15, 1980).

On November 7 , after Whitlam's statement the day before reaffirming CIA funding of the Country Party, 15 newspapers and wire services asked the Pentagon for information on Whitlam's and Toohey's allegations. The Pike Committee was also beginning inquiries into these allegations. Colby at a press conference on November 7 again denied the allegations.

The CIA ultimatum: shut Whitlam up

Enough was enough. Ted Shackley on Saturday November 8 called the ASIO Liaison Officer in Washington into his office and did not mince words. After the dressing down from Shackley, the shaken ASIO officer sent off a summary of his conversation to ASIO headquarters in Melbourne. Shackley had first traced the history of the Stallings affair, beginning with Whitlam's November 2 statement and then US denials. But Whitlam had repeated his claim on November 6. Moreover, the media had revealed a number of serving CIA members in Australia.

"The CIA is perplexed at this point as to what all this means. Does this signify some change in our bilateral intelligence security related fields? CIA cannot see how this dialogue with continued reference to CIA can do other than blow the lid off those installations where the persons concerned have been working and which are vital to both our services and countries. particularly the installations at Alice Springs... Has ASIO HQ been contacted or involved?... Is there a change in the Prime Minister's attitude in Australian policy in this field?"

Shackley then put the ultimatum : " This message should be regarded as an official demarche on a service to service link... The CIA feels everything possible has been done on a diplomatic basis and now on an intelligence liaison link. They feel that if this problem cannot be solved they do not see how our mutually beneficial relationships are going to continue... The CIA feels grave concern as to where this type of public discussion may lead. The DG (of ASIO) should be assured that CIA does not lightly adopt this attitude". (CIA's Australian Connection, pages 31-32).

Shackley implied later that instructions to deliver the ultimatum came from Kissinger. He also said that he did not think that Whitlam would be shown the

message. However the acting director of ASIO, Frank Mahoney, was a Whitlam appointee. (NT March 21-27, 1982).

Mahoney sent the ASIO telex to John Menadue, head of the Prime Minister's Department, who in turn passed it on to Whitlam's office late on November 10. In the tumultuous events of November 11, the envelope with the telex from ASIO in Washington remained unopened until some time later.

Meanwhile, Tange asked the Chief Defence Scientist, Dr John Farrands, who had responsibility for liaising with Pine Gap, to inform Governor-General Sir John Kerr of the security crisis on the weekend of November 8-9. Tange allegedly made Farrands swear that he would never reveal what he told Kerr. Farrands has ever since denied that any such convers-

Kerr inspects the army band : "I'm Commander-in-chief"....

QUOTE; The CIA ultimatum of November 8-9 came at an absolutely crucial time for Fraser. The CIA was fully aware of the importance of its timing ...

ation with Kerr occurred.

It will be recalled that the Stallings crisis broke just as the Opposition was facing its own crisis. Liberal Senators were threatening to allow money bills through the Senate. As Whitlam was speaking in Port Augusta, Fraser, Anthony and other Opposition leaders were holding their summit in Canberra where they decided to let Bjelke-Petersen coordinate the Fancher affair. A few days later, Khemlani, Thomson, Licardy and Crawford were falsely claiming that government ministers were to get secret commissions and kickbacks from the loans affairs.

The CIA's National Intelligence Daily of November 8 reported that the resolve of the Opposition to continue to block Supply in the Senate was weakening and enough senators were threatening to vote with the government to throw Fraser into a state of deep concern.

On November 7, Liberal Senator Laucke hinted in a TV interview that he would vote with the government on Supply. When asked on an ABC TV program whether he would vote to continue to block Supply on the next parliamentary sitting day, November 11, Laucke advised the interviewer to ask him next week, because it would "all be over" by then.

On the weekend of November 8-9, Liberal Senator Missen told Liberal Movement Senator Steele Hall that he was confident that enough dissident senators would vote against blocking Supply to end the crisis. Sydney Morning Herald parliament house correspondent Peter Bowers told David Combe the same thing November 7. On November 8, the SMH ran Bowers story, saying that Kerr would intervene the following week if the Supply deadlock was not resolved. Bowers, however believed that Kerr would intervene in the government's favor. (Oakes, page 198).

Liberal Senators in revolt

On November 9, another Liberal Senator, Jessop, rang Fraser to say the deadlock had gone on too long and that eight or nine other Opposition senators felt the same. He could not guarantee holding out any longer than the coming week. On Monday, November 10, another senator went to Senator Withers' office and said he was not prepared to vote to block Supply any longer. After a long discussion, he was persuaded to give Fraser another 24 hours. (NT November 9-15,1980).

If the rebel senators had voted with the government, and the crisis ended, Fraser would have suffered a humiliating defeat which his party would have been unlikely to accept. Whitlam and his government would have been assured of at least another two years in power.

The CIA ultimatum of November 8-9 therefore came at an absolutely crucial time for Fraser. The CIA was fully aware of the importance of its timing.

Kerr reached his decision to sack Whitlam on the weekend of November 8-9. If he was informed of the CIA ultimatum, it would undoubtedly have been a decisive factor in his decision. Despite Farrands' denial that he told Kerr of the ultimatum, the evidence is strong that he did. It should be recalled that Farrands' boss Sir Arthur Tange had wanted Whitlam to lie to parliament and deny that Stallings was a CIA officer. Obviously, he was capable of getting Farrands to do the same...

Another crucial factor would not have escaped Kerr. On December 10, 1975, the agreement on Pine Gap was due for renegotiation. The CIA feared, and Kerr would have certainly shared their concern, that Whitlam would cancel the Pine Gap agreement or severely rewrite it.

And if a federal election were to be held before the Christmas holiday period began, then it had to be called in the week of November 11. It was for that reason that Whitlam was planning to call a half-Senate election that week.

On November 10, Kerr met with Sir Garfield Barwick , the Chief Justice of the High Court and the former Attorney-General, to get his opinion on the legality of sacking Whitlam. Barwick hurriedly prepared his opinion which was, naturally, favorable to Kerr's planned action.

On November 11, Kerr acted with rat-cunning to make sure that Fraser, who was hiding in another room at Government House, would be sworn in as caretaker Prime Minister immediately Whitlam left after being dismissed and that elections would be called immediately. This also ensured that Whitlam could not request that the Queen sack Kerr...

Kerr's intelligence links in past

Kerr was obviously a key actor in this drama. His long association with intelligence matters dated from his wartime work with the Directorate of Research and Civil Affairs, a wartime intelligence service headed by Dr Alfred Conlon. It continued with his work in Papua New Guinea and the South Pacific in a similar post-war role. Kerr had more than a passing interest in intelligence.

Kerr then went into law and made his mark as a lawyer for the far-right Industrial Groups and their mentor, Santamaria's National Civic Council. Kerr in those years was an active member of the CIA-funded Association for Cultural Freedom and became a founding president of the Law Association for Asia and the West Pacific (LAWASIA) which was also receiving CIA funding from 1966 through the front organisation, the Asia Foundation. The Asia Foundation was exposed as a CIA front in early 1967 in the book, The Espionage Establishment by D Wise and T B Ross. This did not stop Kerr going to the USA a few months later after the public exposure of the Asia Foundation as a CIA front, to seek successfully a "severance payment" from the Foundation to fund LAWASIA for a couple of more years. (Cult of Intelligence, pages 178-179).

In 1972, the conservative Askin government appointed Kerr as Chief Justice of the NSW Supreme Court, after Kerr had jailed union leader Clarrie O'Shea

QUOTE: Kerr saw himself as more than a figurehead whose job was to open cake shows and give medals to boy scouts. He was commander-in-chief...

in 1969 in the penal powers dispute.

Whitlam made a fatal mistake in appointing Kerr as governor-general in February 1974. Kerr's rightwing background and long association with intelligence bodies and with the Industrial Groups and NCC should have forewarned Whitlam. Even Bob Hawke remonstrated with Whitlam about Kerr's appointment.

Christopher Boyce, the convicted Soviet spy, employed in the top-secret cipher room at the TRW Inc. plant in California which received messages from Pine Gap, said that the CIA "resident" at TRW showed great animosity to Whitlam and in October 1975 constantly referred to Kerr as "our man". The CIA resident saw Whitlam as too friendly with China and North Viet Nam. He did not hide his joy when Kerr sacked Whitlam. (NT November 9-15, 1980). Boyce's word is not necessarily to be accepted , but the confirming circumstantial evidence does suggest that Kerr was indeed the CIA's man.

"I'm commander-in-chief..."

When Kerr addressed the Indian Law Institute in February 1975, he did not hide that he was "very interested in foreign policy and defence policy and both as the new Governor-General and Commander-in-Chief, I have been seeking to come to grips with our policy in these fields... I am the Commander-in-Chief: as such I maintain a constant interest in defence matters". Pine Gap was just such a "defence matter". (NT November 9-15, 1980).

As Kerr showed in this speech, he saw himself as more than a figurehead whose job was to open cake shows and give medals to boy scouts. He was Commander-in-Chief of the military forces and saw himself as having the final and overall responsibility for defence and the maintenance of the US alliance. It was in this sense that Kerr undoubtedly acted on November 11, 1975, despite all the red herrings and legalistic apologia that he has published since to justify his actions.

Whitlam may as well have appointed B A Santamaria as governor-general in February 1974 as appoint John Kerr!

It would be wrong however to see simply the whole story of the overthrow of the Whitlam government as dating from the few weeks leading up to November 11. I have shown in this chapter the motivation for the CIA removing the Whitlam government and how deeply it was involved in the final coup de grace on November 11. The dismissal was the final bullet in the head of the government, following a long period of destabilisation in which the loans affairs were the centrepiece.

We must now look more closely at the intertwining connections linking the CIA to the loans affairs conspiracy outlined earlier in the different chapters of this book, and in particular how the CIA used organised crime figures and con-men and arms dealers for its purposes.

12. Organised crime connections

From the day it was formed, the CIA has had a cosy relationship with organised crime and drug trafficking around the world. This relationship began with the CIA's wartime predecessor, the Office of Strategic Services (OSS) . The OSS and Naval Intelligence reached a deal with the mafia during World War II, under which mafia boss Lucky Luciano would be released from prison at the end of the war and deported to Sicily, if the mafia co-operated in ridding the New York docks of pro-Nazi elements. Both sides fulfilled their agreement.

When the US army landed in Sicily, it used the mafia as guides and allies and left it in political control as they advanced , since it was the only organised alternative to the Communist Party.

In China, the OSS was intimately linked with the opium trade. After the war, the OSS and later the CIA, worked with the Corsican mafia who used strongarm methods to end communist control of the Marseilles dock unions in southern France. In return, the Corsican mafia was able to turn Marseilles into a centre of heroin production -- the infamous "French connection". In the long war in Indochina, the CIA worked hand in glove with heroin traffickers in the "Golden Triangle" and even flew opium out on Air American flights for loatian warlords.

In the Caribbean, the CIA used Cuban exiles, led by mafia boss Santo Trafficante Jnr, in the Bay of Pigs invasion and other sabotage missions against Cuba. Throughout this period, the Cuban exiles were deeply involved in drug trafficking, organised crime and neo-nazi terrorism. (See Al McCoy, The Politics of Heroin in South East Asia; Hendrik Kruger, The Great Heroin Coup for general reference to the OSS-CIA links).

It was natural for the CIA to work with organised crime on many operations, because organised crime offers to an intelligence agency a ready-made and widespread network able to carry out all types of illegal activity and willing to do so if the price is right. And , for its part, organised crime , by association with intelligence services gains valuable friends and protectors able, for example, to thwart other law enforcement agencies. Intelligence links plug organised crime into the highest level of government and administration and therefore supplement other lines of influence organised crime can establish.

Such links between organised crime and intelligence services are not limited to those between the CIA and the mafia. For decades, French intelligence was so closely linked with organised crime that the dividing line was, to say the least, very blurred, as recent scandals have amply shown (see Great Heroin Coup; BIIC/Intelligence/Parapolitics France).

In Italy , links between organised crime and intelligence services were even more blatant, as amply illustrated by the Sindona/ Calvi/ P2 Lodge/ Vatican scandals. Israel's Mossad has never baulked at using mafia figures such as Meyer Lansky for its enterprises, or, in Australia, persons such as John Singer. The links go back a long way : former Israeli Prime Minister Begin when head of the terrorist Irgun Gang in 1946 was a guest at a fund-raising dinner given by Jewish mafia figures, one of whom Mickey Cohen, promised $1 million to buy weapons for Irgun .Cohen was Lansky's man. (Last Mafioso, page 32).

The coming together of CIA officers and organised crime figures in Kings Cross after 1967 provided the perfect ground for the CIA to recruit criminal elements

QUOTE: Thecriminals recruited were rather the confidence tricksters, the con men able to exploit the loans affairs in the desired manner...

for their plans to destabilise the Whitlam government. By the very nature of the task, those criminals recruited were neither hit men nor addicted drug traffickers, such as John Ceruto, but rather the confidence tricksters, the con-men, able to exploit the loans affairs in the desired manner.

Given Khemlani's connections with the mafia in 1977, which may well point to a much earlier connection, it is worth noting that the period from 1967 to 1975 was one of blossoming contacts between the different US mafia families and Australian organised crime figures.

These connections have been traced by Bob Bottom in his book, The Godfather in Australia and by Al McCoy in his classic work on organised crime in Australia, Drug Traffic. There is little point in repeating their work here. From Joseph Dan Testa who is the first significant mafia figure to visit Australia, in 1965, and the links be forged with top organised crime figures such as Lennie McPherson, Ronnie Lee, George Freeman, Stan Smith and others. The contacts flowered in the early seventies.

The next significant mafia visitor was Danny Stein whom we have already met, associated with Murray Riley, Colin Hamilton and others in the "raid" on the Motor Club. Stein came first in 1972 .

In 1974, Sydney welcomed another important mafia figure, Rudy Tham from San Francisco. Tham was an official of the mafia-dominated Teamsters Union and a close friend of Jimmy "the Weasel" Frattiano, who was soon to tell all to the FBI . As a result, Tham ended up behind bars.

Mafia links of Riley , Csidei etc

In the early seventies, Tham and Frattiano became close associates of Murray Riley and Sydney businessman Bela Csidei who visited them in San Francisco on several occasions. Frattiano provided Csidei with $10,000 and high-quality marijuana seeds to begin his drug plantation in the Northern Territory. Csidei ended up in jail for this effort. During his Californian visits, Riley organised large-scale drug importations into Australia from South-East Asia, the third of which, the Anoa importation already referredto, landed Riley and many (but not all) of his associates in jail.

Tham and Frattiano also had contact with business man Neil Ohlsson who also tried to get involved in loan raising for the Whitlam government. Ohlsson later contacts have been fully documented in a series of articles in the National Times (June 21-27, 1985; August 23-29,1985).

Tham and Frattiano also befriended Sir Peter Abeles whose transport multinational TNT in the early seventies was seeking to enter the US road freight market. As a Teamsters official, Tham was someone Abeles had to deal with. but his contact with Tham and Frattiano went well beyond the normal boss-union contact. Frattiano took Abeles around the USA and even tried to sell him a share in the Westchester Theatre in New York, which the mafia used for a major operation to skim taking of concerts given by Sinatra and others. Abeles wisely declined the offer.

It was also Abeles who provided Bob Hawke with an introduction to Tham when Hawke and David Combe stopped overnight in San Francisco in 1978 on their way to a Socialist International conference in Canada. Hawke and Combe spent a strange night in a mafia bar run by Sal Amarena. Soon after, Tham and Frattiano's names were on the front pages of the Australian press after Bottom exposed their links with Riley and others. Hawke and Combe did not know whom they were meeting, but it would be surprising if Abeles did not know of Tham's mafia connections. (NT August 4, 1983; Age Nov 18, 1983).

While the links between the US mafia and Sydney organised crime were blossoming in the early seventies, the Sydney mob, flush with the profits of the R-&-R GI invasion and the growing drug trade, invested some of their profits overseas. Australian organised crime became multinational, investing in brothels, casinos, and drugs in South East Asia, particularly in Indonesia, the Philippines and Hong Kong. At the same time, other overseas criminal syndicates moved into Australia including the Corsican mafia (based in Noumea), and the Chinese Triads from Hong Kong and Macau. From New Zealand came criminals looking for bigger markets here.

Nugan Hand's expansion overseas was at least in part motivated by a desire to provide services for organised crime's multinational operations.

By late 1974, all these networks were in place, even though, in later years, they were to expand both in sophistication and scope.

The early seventies also saw the rapid growth of corporate crime. This was due in part to the need to find sophisticated methods to launder the huge profits by then flowing into the crime oligarchy. It also grew directly out of the mining stock market boom which saw millionaires made overnight, looking for ways to avoid taxation. The mining boom also provided unique opportunities for con men. On a broader scale, after three decades of economic boom, the "new money" millionaires, and to a lesser extent the "old money" ones were staging their own "tax revolt". They were willing to enter the most dubious schemes to evade tax knowing that with friends like Sir Garfield Barwick in the right places, the schemes would be made "legal".

The rise of corporate crime

Lawyers, accountants and ordinary con men seized the opportunity. They began with simple tax dodge schemes which quickly grew more sophisticated. In the final analysis, all these schemes involved fraud of the tax office and not infrequently of the tax dodgers themselves by the con men.

The con men needed political and police protection as much as those that operated in drug trafficking or in illegal casinos. They were therefore more than happy to do favors for their political and police masters knowing that one good turn always deserves another.

QUOTE: A common thread among many of these con men were two Sydney organised crime figures: Murray Riley and Abe Saffron...

It was from the con men and the field of corporate crime that the foot soldiers for the loans affairs conspiracy were recruited.

Let us look at some of them : Khemlani himself worked later for the mafia ; his solicitor John Licardy was involved in massive fraud and was an associate of John Boyden of Costigan commission fame; Khemlani's associate Alan Crawford was a London-based con man; John Bracey was jailed for fraud; Bracey's associates Colin Hamilton and Robert Cohen were involved in various criminal activities including drug importation; Peter Rogers was an associate of Michael Moloney now facing jail for his Nugan hand-related activities; Eric Sear Cowls was a self-confessed forger forger and con man ; his London contacts Gilham and Gaskell were also notorious con men. And the list of minor characters in all the loans affairs is even longer.

A common thread among many of these con men were two notorious Sydney organised crime figures: Murray Riley and Abe Saffron.

Bracey, Sankey & Meissner

Despite his media exposure, Murray Riley was essentially a middle-level organiser operating, particularly in the later period of his career, as a "manager" for the organised crime figures higher up in the oligarchy, and above them, the "respectable" financiers of organised crime. Riley has been at the centre of attention largely because many of his activities have been exposed in a series of Royal Commissions, courts cases and police investigations. Those above him are still protected by their untouchability and by their high positions and influence.

Colin Hamilton and John Bracey were even lower in the hierarchy that Riley. Hamilton was intimately linked with Riley in several criminal enterprises : the massive rip-off of licensed clubs in the early seventies and later the Anoa importation. He was also present in the "protection" of Frank Theeman's Kings Cross property. In all these activities, and earlier, while a member of the police force, Hamilton was closely associated with organised crime figures in Kings Cross, including Abe Saffron and Bernie Houghton, as well as Frank Theeman, Sir Paul Strasser and others in the "Hungarian mafia".

John Bracey as a close associate of Hamilton's had other connections, while maintaining links with the mysterious US-based "International Funding and Insurance Brokers" which appears to have been an association of con men operating worldwide. Bracey's overseas connections with Richard Todd and other arms dealers and con men involved in the other loans affairs show international links which in all probability take us into the midst of worldwide organised crime and intelligence services.

Throughout this period, John Bracey knew only too well that he was about to face serious fraud charges arising from the Kimberley Minerals case. He was therefore particularly subject to manipulation and pressure from intelligence services, politicians and the organised crime hierarchy. Bracey was almost certainly offered a deal by NSW Attorney-General John Maddison in late 1975, during the Fancher affair, under which charges would be dropped against him if he produced the promised kickback documents.

Interestingly enough, Bracey was also a close associate of Danny Sankey, a Sydney solicitor who in November 1975 fronted for the Liberals when he launched a court action against Whitlam, Murphy, Cairns and others for conspiracy arising out of the loans affairs. (NR, May 14, 1976).

At this time and after, Sankey was a business partner of Joe Meissner, leader of the thugs who "protected" Victoria Street for Theeman, an enterprise in which Bracey's partner Hamilton was also involved. Meissner was also involved in 1980 in an attempt to take over the Enmore branhc of the ALP in inner-city Sydney, as a stepping stone for his parliamentary ambitions. In the process, ALP leftwing leader Peter Baldwin was bashed although Meissner is thought not to have been directly responsible. Meissner appeared in the headlines again recently when his former "de facto" , prostitute Virginia Perger made allegations of Labor politicians on a "love boat" with her. It will come as no surprise that John Bracey was behind the scenes in organising the "exposure" of these allegations and spreading stories of ... secret Swiss bank accounts in the name of top Labor politicians. Old dogs never learn new tricks it seems.

The rise & rise of Abe Saffron

Abe Saffron has justifiably won notoreity around Australia . A small-time smuggler of cigarettes and nylons during the war, he moved into prostitution and sly-grogging immediately after the war. In those early years, he appeared in court from time to time and featured in the Maxwell Liquor Royal Commission. But soon after Saffron became untouchable. From the beginning , he was aware of the importance of political influence, of having good relations with police commissioners and having friends in the media. It was Saffron who, in the fifties, developed the use of secret films and photos of public figures in compromising sexual situations for the purpose of blackmail.

By the early seventies, Saffron was not only a powerful crime figure and a multi-millionaire "respectable" businessman, but he was also a man used to exercising great political power. Nothing illustrates his political clout more clearly than his immunity from prosecution for the past three decades, and his role in the destruction of Don Dunstan's political career.

In the period up to the mid-seventies, Saffron concentrated on developing close links with the Liberal Party machine. In South Australia, it was Saffron's solicitor, Frank Webster, who won Liberal pre-selection for Dunstan's former seat. In NSW, Saffron had Bob Askin in his pocket and wielded powerful political influence throughout the Liberal Party machine.

But Saffron's links go far beyond these connections. According to some who know him very well, he was involved in arms dealing, using an Israeli named Altman as his intermediary. His arms dealing allegedly spread from Indonesia to elsewhere in Asia and would have brought him into direct contact with the CIA and with Australian intelligence services.

Well-placed sources claim that Saffron in fact worked for intelligence services on different projects. This becomes more likely when we consider Saffron's friendship with Bernie Houghton. Saffron presumably also knew Bobby Boyd (former head of US R-&-R in Sydney and later Houghton's business partner). Did he also know Leo Carter, ASIO's Sydney boss and Houghton's friend? Did Saffron meet John Walker, the CIA chief of station in the Whitlam years, when Walker and other CIA officers drank at Houghton's Texas Tavern whenever in Sydney town ?

Saffron's vendetta against Don Dunstan coincided with that of ASIO against him. The Ceruto affair fits into a picture of Saffron acting both on his own behalf and on behalf of the Liberals and ASIO-CIA. If Saffron was able to "get Dunstan" so effectively, why was he not able to play a similar behind-the-scenes role in the "getting" of Gough, Jim,Rex, Lionel and all ?

It is of course possible that other organised crime figures were used by the CIA and ASIO hardliners in the manipulation of the loans affairs for the destabilisation of the Whitlam government. But we have focussed on Abe Saffron as the most likely candidate because of what is already known of his penchant for political operations.

Exactly how the conspiracy operated and developed and the personalities who played the key roles in manipulating it, will only be known when someone deeply involved speaks out.

Poster at November 1975 rally..

13. Nugan Hand connections

In November 1967 the second great American invasion of Australia began. It was not an unwelcomed invasion for many, particularly for the bar-owners, pimps and restaurateurs of Sydney's Kings Cross.

In that month, Sydney became a "rest-and-recreation centre" for American troops in Viet Nam. The first such "invasion" occurred in World War II when General Macarthur set up his HQ in Brisbane. The second invasion lasted until 1972, when the R-&-R program ended as US troops began to withdraw from Viet Nam. For four and a half years, the GIs brought great prosperity to the traditionally red-light district of Kings Cross.

This sudden influx of wealth also ushered in a new era of organised crime in Sydney and Australia as a whole. It was no coincidence that the years 1967 and 1968 saw a vicious gang land war in Kings Cross. Sydney was "strewn with bodies" as crime figures were gunned down, Chicago style. (McCoy, Drug Traffic chapter 3). From these gangland wars energed an oligarchy of crime bosses who divided different spheres of operations. "under the tolerant gaze of a laissez-faire state government, Sydney was the centre for all the major vice trades and her syndicate leaders prospered as never before", wrote Al McCoy . "Thousands of American soldiers on leave from Viet Nam attracted legions of prostitutes and escort girls, SP betting boomed and a network of lavish illegal casinos became the focal point of the city's glittering night life... No city in the world could rival Sydney's tolerance for organised crime...

"During the eleven years from 1965 to 1976, with the Liberal-Country parties in power, the state (of NSW) endured a period of political and police corruption unparalleled in modern history".

Presiding over this for most of those years was Sir Robert Askin, the most corrupt and venal politician who has ever held power in Australia. Under him was a succession of equally corrupt Police Commissioners.

The GIs also brought with them to Sydney the virtually unknown joys of pot and the horrors of heroin. The drug trade (except of course that in alcohol) which had been insignificant before R-&-R, grew rapidly after the GIs brought marijuana and heroin into Australia, presenting organised crime with a highly lucrative new market.

On New Years Day 1967, in the very vanguard of the R-&-R explosion, Maurice Bernard (Bernie) Houghton arrived in Sydney. In September 1967, one month before the R-&-R invasion began, he opened the Texas Tavern in the main drag at Kings Cross.

Bernie Houghton was born in Texas in 1920. In World War II he joined the US Air Force Cadet Training Program. After his discharge in 1946, Houghton claims he "went into business, restaurants, clubs, surplus war material and miscellaneous occupations" until 1964 when he went to South East Asia, including Viet Nam, for about three years, "travelling, contacting construction purchasing departments, and procuring construction materials". He said he was involved in a minor way in the construction of airports and military bases. (JPTFR page 401).

That , at least, was his cover story. In fact, Houghton worked for US naval intelligence, the Office of Naval Intelligence (ONI) possibly even before he went to Viet Nam. In these years he developed close friendships with many senior US military and intelligence figures whom he later brought into

QUOTE: I said: We're in turmoil. He said: Buy me some too. Perhaps we should have floated a stock called Turm Oil No Liability...

Nugan Hand. He was in particular a close friend of Edwin P Wilson from Task Force 157 and Ted Shackley the CIA hardliner.

Houghton explained that he opened the Texas Tavern because he "was aware" that the R-&-R boom was about to begin. It was an "American style restaurant" (better described as a low dive) . It may well have been modelled on another infamous R-&-R bar in Bangkok of the same name.

The Texas Tavern became immensely popular with the GIs and their hangers-on. One American who regularly visited the Tavern was Michael Jon Hand, a former CIA officer who worked for Air America and for the US Special Forces as an assassin of suspected NLF supporters in Viet Nam and Laos. Hand had settled in Australia after formally leaving the CIA and the US army. He visited the Texas Tavern to persuade GIs, and particularly those from the CIA and Special Forces to buy land at Brunswick Heads in northern NSW, for speculation and even retirement.

Hand's CIA shareholders

In 1969, Michael Hand formed Australasian and Pacific Holdings Ltd. Its shareholders included a long list of Americans who gave their addresses as care of Air America , Continental Air Services (another airline working for the CIA in Laos) or the US Agency for International Development (AID), which provided cover for CIA and other covert operations. The company was supposed to promote tourism and develop a resort on the Great Barrier Reef. It did neither and in 1977 became a Nugan Hand company. (JPTFR page 291).

In 1970, Hand met Francis John Nugan through a Sydney lawyer, John Foley. Nugan was the second son of a prosperous fruit-packing and distribution family in Griffith in southern NSW. His elder brother, Kenneth Nugan, later took over the Nugan Group of companies after the death of their father. Frank Nugan had to make his own way and after graduating in law at Sydney University, he completed his articles with a prominent Sydney law firm. He then went to the USA where he obtained a Masters Degree in Law at the University of California. He subsequently went to Canada to begin studies for a doctorate of law but returned to Australia in 1968 without completing the doctorate. He then worked for a large Sydney legal firm and quickly plunged into the boom in mining stock. He floated Meekatharra Minerals NL with Donald O'Callaghan who continues to chair the Meekatharra board. While a director of Meekatharra, Frank Nugan pulled off his first major financial coup -- and con trick .

The mining stock boom of 1969-1970 was capitalism at its craziest. Speculation rose to the dizziest heights imaginable. Fortunes were made, and fortunes lost, particularly the nest eggs of small investors. The flavor of the period is conveyed in a little story told by a stock broker: " Once I was working flat out when a client rang. I said: 'We're all in turmoil'. He said: 'Buy me some too'. Perhaps we should have floated a stock called Turm Oil No Liability..." (Money Miners page 137).

Such hysterical lack of reason naturally attracted confidence tricksters by the dozen, who exploited to the hilt the lax regulations governing the stock market at this time. Many of them have already appeared in the earlier chapters of this book. Frank Nugan was not one to let such an opportunity slip. Meekatharra had actually discovered iron ore (which it still exploits) and Nugan announced with great publicity that he was about to fly to Japan to tie up a multimillion dollar deal for the sale of the ore to Japan. Not unnaturally, Meekatharra's shares shot up in value. Frank sold his shares at a reputed one million dollar profit. However, not unexpectedly, his trip to Japan brought no results. Meekatharra's shareholders were none too happy and Nugan was forced off the board.

It was at this time that Nugan met Hand, but it was not until 1972 , when the R-&-R boom had ended that Hand and Nugan launched their first joint business venture. They set up a Panamanian-based company, Property Agents International Inc and a Sydney-based company, PM Shelley Pty Ltd to buy back the Brunswick Heads land from US servicemen who had lost interest in it after the R-&-R ended and they were withdrawn from Viet Nam. Hand and Nugan returned only one-quarter to one-third of the real value of the land to the American servicemen. The land had appreciated considerably in value in the previous few years -- something of which the servicemen were not aware. (JPTFR pages 292-293).

Nugan Hand's expansion in 1975

In July 1973, Nugan, Hand and a Brisbane businessman , John Charles Needham, established Nugan Hand Needham Ltd as a merchant bank. Needham resigned from the company in June 1974 and the name change to Nugan Hand Ltd.

In its first year of operation, Nugan Hand dabbled in the money market and silver and gold coin dealing. But it was only from mid-1974 that Nugan Hand expanded much beyond Frank Nugan's previous operations as a corporate and tax lawyer. In 1974 Nugan Hand recruited four key people -- Jeremy Gilder, Leslie Collings, Frank Dunn and Willhem Hans -- all of whom had worked for the defunct Fund of Australia. Also recruited were Frank Schuller and Wilf Gregory, from another highly dubious and bankrupt mutual fund, the Dollar Fund of Australia (which at one stage featured Csidei on its board). These sharpshooters, whose main task was to part people from their money for investment in these funds, had largely operated overseas. They soon began establishing Nugan Hand in Hong Kong where a branch was opened by Leslie Collings in February 1975 (NSW CAC report page 3 and JPTFR 296-7).

From the beginning, Nugan Hand was based on a fraud. While supposedly funded by an investment of $1,000,000 by Nugan in August 1973, the money did not remain with Nugan Hand Needham Ltd. Indeed, the day

QUOTE: The arms deal involving Commerce International, John Singer, Thomas Yu and Theo Cranendock may have also involved Michael Hand.

it was put in the company's number one account, it was transferred into its number two account and then paid back by cheque into Frank Nugan's personal account ! The cross-cheque operation was repeated soon after, when Nugan "repaid" his debt to Nugan Hand Needham, but this time PM Shelley Pty Ltd was introduced and the debt transferred to PM Shelley , which pledged non-existant assets as "security" for the debt. The one million dollar again ended up back with Frank Nugan. (NSWCAC pages 40-46). This procedure operated throughout the life of Nugan Hand , but was expanded to include many more companies, particularly Nugan Hand subsidiaries overseas. More sophisticated frauds were perfected throughout the life of Nugan Hand.

In 1975, Nugan Hand expanded into other fields. They began operating for drug trafficking clients: George "Duke" Countis and Harry Wainwright, both Americans with mafia connections; Murray Riley (from early 1976) and for many others including John Ceruto. Although its links with drug traffickers only really blossomed after 1975, the initial contact were established in that vear. (JPTFR pages 304-317).

In December 1974, Michael Hand left Australia for South Africa where he remained until March 1976. Hand, however, is recorded as visiting Sydney from July 17 to 31, 1975, and may have returned under different names at other times (JPTFR page 297). The expansion of Nugan Hand's operations from mid-1974 to early 1976 therefore took place without Hand's direct participation. Nevertheless, while in South Africa, Hand remained in close contact with Nugan Hand, especially in relation to the importation of arms for the aparthheid regime, the racist Smith regime in Rhodesia and the CIA-backed rebels in Angola. These arms imports paralleled those involving Commerce International, John Singer, Thomas Yu, Theo Cranendock et alia, which may in turn well have involved Michael Hand as the organiser at the South African end. (JPTFR pages 694-703).

It was after Hand's return in 1976 that the links between Nugan Hand and the drug traffickers flourished. Hand looked after the Riley group and Hand and Riley formed a close personal relationship.

CIA in Hand-Houghton arms deal for S. Africa

Also involved in Hand's arms shipments to South Africa were two CIA officers, James Hawes and Robert Moore who were stationed in Indonesia; Edwin P Wilson and Task Force 157, and Bernie Houghton (JPTFR pages 697-698).

This arms deal is particularly important as it was a direct US intelligence operation, which involved funding by Task Force 157, Wilson and CIA officers. The crucial Australian link was Bernie Houghton. The Joint Police Task Force report speculates that the operation may well have been a piece of private enterprise on Edwin Wilson's part, but notes that Wilson in 1975 was still a key factor in Task Force 157.

The CIA was running its war in Angola and quietly backing the Smith regime. While its Angolan operations collapsed late in 1975, South African and CIA backing for the UNITA group in Southern Angola continued and continues to this day.

Wilson arranged funding of the CIA Angolan arms operation through World Marine Inc , a Task Force 157 front company. It is was a piece of "free enterprise" by Wilson, it would certainly have been known to the CIA people running TF157, including Ted Shackley.

In January 1976, Wilson visited Australia as part of another operation to supply a spy ship to the Shah of Iran. This operation was an official TF157 one. Wilson and Houghton worked closely on this deal.

CIA officer Hawes visited Sydney in April 1973 before taking up his post in Jakarta. (JPTFR page 699). It was a crucial time to visit; a few months prior to the establishment of Nugan Hand and around the time the CIA allegedly channelled $2,400,000 to the Liberal Party through Nugan, Singleton and Askin.

Bernie's pal Paul Strasser & Abe

From the time he arrived in Sydney, Bernie Houghton formed a close business relationship with Sir Paul Strasser , head of Parkes Developments, one of the largest developers active in the uncontrolled property boom in Sydney in the early seventies. Strasser was a close friend of Sir Robert Askin who persuaded the NSW Superannuation Board to provide cheap funds for Parkes . Askin is also alleged to have recommended Strasser for a knighthood after losing to him at poker.

Parkes and Strasser in particular, throughout this period participated in business deals with Abe Saffron. Parkes was also closely linked with Strasser's friend Frank Theeman in the development of Victoria Street, Kings Cross. It was to protect their interests that Fred Krahe and Colin Hamilton were employed as "security guards". Hamilton was to play a role in the loans affairs, as an associate of John Bracey.

Houghton had his own links with Saffron who for many years would "drop in for a social drink" at Houghton's restaurants. "Our interests in the restaurant (business) are mutual" , Houghton said. (JPTFR page 420). When Houghton opened the Texas Tavern at 44 Macleay St., Kings Cross, he took over a site which had been occupied by a series of Saffron restaurants since the fifties. These restaurants had been run by Saffron through a series of nominees. It is difficult to prove that Saffron had any direct role in Houghton's take-over of the site. But Houghton would not have been able to take over such a prized site without Saffron's approval.

Strasser and his associate John Charody were deeply involved in Houghton's restaurants in the period up to 1975. John Charody was also a very close personal friend of Askin and was recently named as executor of the multimillion dollar Askin family trust after the death of Lady Askin (SMH, July 25, 1984). Charody was in 1979 to become a "business agent" for Nugan Hand.

In fact, Houghton was employed by Strasser in

QUOTE: All these links may have been unfortunate coincidences. Strasser has denied any knowledge of these drug links...

1967, when he gave Strasser the names of "high-ranking US military officials as referees". Strasser was convinced that Houghton had top connections with the US military. "He (Houghton) would fly to the US on US military aircraft from RAAF Richmond" base outside Sydney. (JPTFR Page 407). Strasser also believed that Houghton was CIA -- a reasonable assumption given his access to US military aircraft.

Strasser naturally found Houghton's links with the CIA and US military an advantage, which supplemented his connections with Askin. In addition to his links with Saffron, Strasser also had other curious connections. In 1975, a top Strasser employee, Christine House engaged in some complex operations to allow Robert Trimbole , the Calabrian mafia boss in Griffith and today's most wanted man, to clear his bankruptcy. Justice Woodward in his Drugs Royal Commission report found her actions strange and worthy of further investigation. Moreover, a Strasser company Firojo Pty Ltd was taken over by Trimbole's associate, Antonio Sergi to serve as a family trust. This was arranged by accountants Ruddy and Maude who operated from Strasser's offices. Finally, Strasser's former pilot, Peter Copko also came to the attention of Justice Woodward for his involvement in drug trafficking sydnicates, including that headed by John Milligan, an associate of John Ceruto. All these may have been unfortunate coincidences for Strasser, who has denied any knowledge of these drug links.

Yet another close associate of Bernie Houghton was Bobby Keith Boyd who heade the US military's R-&-R centre in Sydney. Boyd had an interesting history. From 1962 to 1965, he had been at the US Embassy in Colombia, Latin America, at a time where the CIA was very active there. From 1965 to 1967 . he was with the US Military Mission in Viet Nam. From 1968 he was head of the R-&-R centre in Sydney. He applied for permanent residence in Australia in 1972.

" It would be extremely naive", the Task Force reported, "to suggest that with a military career of this type, and in particular, his role as the officer commanding the US R-&-R Centre in Sydney, that Boyd was not closely allied with US intelligence, if not more directly involved".(JPTFR pages 416-417).

Askin and friends...

QUOTE: With a little imagination, one could envisage all the different parties to the destabilisation of the Whitlam government in the Texas Tavern

In 1972 and 1973, Houghton falsely told the Immigration Department that Boyd was a director of Argus Investments Pty Ltd (which owned the Texas Tavern). Houghton told Immigration that Boyd's work for Argus required "extensive overseas travel" and that Boyd therefore required multiple re-entry visas to enter and leave Australia at will. (JPTFR pages 418-419).

Bobby Boyd: from R-&-R boss to CIA

Why Boyd needed to travel overseas so often after formally having left the US army remains a mystery. But it is possible, given Boyd's close links with US intelligence, that his travels were part of covert intelligence operations for which Houghton provided a cover. Boyd was granted permanent residence status in 1973 and became a partner in the Kings Cross firm, John Hawkins Real Estate soon after. Boyd operated from the firm's real estate office in New South Head Road, Edgecliff, a few doors down from Abe Saffron's Lodge Motel 44, from which Saffron organised his empire. John Hawkins Real Estate was a company which managed some of Saffron's real estate investments.

Boyd later became one of the nominees who were directors of companies operating the Bourbon and Beefsteak for Houghton. Houghton's companies had a curious habit of going into liquidation, only to see other companies controlled by him taking over the former companies' property. It was a profitable routine for Houghton, who could pay creditors a few cents in the dollar, yet maintain control of his businesses, through nominee or dummy directors, one of who was Boyd.

In addition to Boyd, the other Houghton nominee for his front companies was Robert Gehring, another US Viet Nam veteran. Gehring's butcher's shop in Pyrmont, Sydney , was the site chosen by Hand as a hiding place before he fled overseas after the collapse of Nugan Hand. Gehring also provided a hiding place for incriminating Nugan Hand documents which were later destroyed.

Throughout this period, Bernie Houghton's solicitor was Michael John Moloney, whose advice was essential for the manipulation of the company liquidations and reformations that Houghton practised. It will be recalled that Moloney was in business with Peter Rogers in this period, when the latter was involved in the Harris loans affair. Moloney was also in business with Bruce McDonald, the future NSW Liberal leader who was involved in the Cowls affair and deals with Nugan Hand.

Throughout the Whitlam years, CIA chief of station John Walker was a regular visitor to Houghton's Kings Cross dive. It was at the Texas Tavern that all the main forces involved in the loans affairs conspiracy come together, almost physically, in the centre of Kings Cross: the CIA; the drug traffickers and organised crime figures; Task Force 157 and the arms traders; Sir Robert Askin and his big business backers; the solicitors and the con men and finally Nugan Hand itself in the person particularly of the boss, Bernie Houghton.

Houghton was also a friend of Leo Carter, then ASIO's head man in Sydney, who vouched for him when Houghton had trouble at Sydney airport . John Singleton was, it is worth noting, also a frequent visitor to the Bourbon and Beefsteak /Texas Tavern.

With a little imagination, one could envisage all the different parties to the destabilisation of the Whitlam government sitting down at the Texas Tavern and plotting the whole business. Life is never that simple of course, and in all probability the interconnections were made elsewhere. But it cannot be excluded that some plans were laid over the bar at Houghton's sleazy dive.

Nugan Hand as such probably played only a minor role compared with that of Bernie Houghton. Nugan Hand only really developed in 1975. Its true expansion came in 1977. In 1975, Hand was otherwise engaged in CIA operations in southern Africa during the crucial months of the destabilisation campaign against Labor.

Frank Nugan may have provided the conduit for CIA money, but little else. However Nugan Hand, through Houghton, was connected with all the key actors in the loans affairs conspiracy and it cannot be excluded that it provided other services for the destabilisation campaign.

Bernie's big birthday party

Bernie Houghton returned to Sydney in mid 1984. In August , he held a big birthday party for himself at the Bourbon and Beefsteak restaurant. Those present included NSW assistant Police Commissioner Angus Graham ! When this was noted in the Sun-Herald without Graham being named, it created a few ripples. However, then Police Commissioner Ces Abbott shortly before his retirement, said there was no cause for concern: Graham's visit to Bernie Houghton's birthday party was only brief and for "personal reasons". Politicians and the media were advised by Abbott to "forget it", something they appear to have done.

Abbott's reassuring words ring hollow when it is remembered that he also assured Sydneysiders that there was noting on the federal police phone taps transcripts concerning then Corrective Services Minister Rex Jackson to warrant further investigation. At the time of this book being typeset, Jackson is facing charges arising from material on these transcripts.

Houghton obviously has friends in high places. His birthday party attracted a very big crowd, including well-known Sydney personalities. It showed the contempt that Houghton and his friends held for the investigations of Nugan Hand and Houghton's doubtful operations by Justice Stewart. No doubt those who chose to celebrate Bernie Houghton's birthday party so openly were willing to take the risk to say "thank you: for services rendered over nearly two decades...

14. Commerce International and arms traders connections

Commerce International is a name that appears in all the major loans affairs. In the Harris affair, Commerce International in New York was itself a major party. In the Khemlani affair, Commerce International was in the midst of an arms deal with Thomas Yu and Theo Cranendock, the men who brought Khemlani to Australia. In the Cowls affair, Captain Michael Stephens was soon after involved in an arms deal with Commerce International's Brussels office.

Commerce International therefore emerges as key. Because it is located outside Australia, it must be suspected of being used to manipulate the loans affairs.

Commerce International was controlled by Frank Cradock from Brussels during the Whitlam period. In 1967, Cradock had fled from Britain to escape arrest after plundering three small rubber plantation companies of large sums. In Brussels, he moved from company fraud to arms trading. In the seventies, Commerce International opened an office in Singapore headed by Gerhard Whiffen , a British citizen.

On September 3, 1975, Commerce International and CS Brading and Associates signed an agreement to share an office in Singapore. Commerce International and Whiffen agreed to use Brading's office and to help pay for its upkeep.

In October 1975, Chris Brading wrote to Whiffen proposing a method of handling joint ventures in "defence equipment" sales. The proposed joint venturers were Commerce International, Brading, Cranendock's Globe Chemicals, Thomas Yu and a Mr Don Booth .

Booth is an American citizen who had worked for the CIA and Air America for many years, before becoming an independent consultant in Singapore.But exactly how "independent" he was of the CIA is in serious doubt.

Chris Brading is an Australian who had flown for Air America during the Viet Nam war. He has a US pilot's licence which had been issued to him not in the USA, but in Frankfurt, West Germany, site of one of the major US military bases in Europe. (Brading's brankruptcy hearings, Melbourne, December 8, 1981).

Before establishing his own company in Singapore, Brading had worked for Scutt airlines, then based in Singapore and Melbourne. Schutt Airlines, as we have seen in the chapter on the Cowls affair, became the basis of Jetcorp. Schutt's former manager was charged with defrauding Jetcorp investors. Schutt Airlines also did contract work for Air America and the CIA.

In 1975, Commerce International, Brading, Yu and Cranendock were engaged in a major arms deal to supply 10,000 M16 automatic rifles from US Viet Nam war surplus stock in Thailand, to CIA-sponsored forces in Angola. It seems that these weapons did not end up in Angola, perhaps because the CIA wanted to supply their own puppets with Russian-made arms, or because CIA operations in northern Angola (as opposed to UNITA in the south) collapsed in late 1975. But for our purposes, it is not important whether the weapons actually arrived, although it is sure that they moved out of Thailand on to the world arms market. The essential point is that the deal was well advanced and that all were involved in a CIA operation.

In 1975 and after, Brading was also in partnership with Norman Granville Lewis, who later became a business associate of his stepdaughter Suzie Lockyer and her husband Donald Lockyer . The Lockyers feat-

QUOTE: John Singer was reputedly a freelance agent of Mossad... a police informer and had a favor done by the CIA...

ured in the Costigan Royal Commission some years later, while Lewis himself made a brief appearance also. The Lockyers were at the centre of massive tax evasion operations, fraud and allegedly drug trafficking. Suzie Lockyer is today in hiding in the USA, while Donald Lockyer is facing trial.

In partnership with Lewis and Brading in 1975 was Melbourne real estate agent Walter Jockel. who denies any connection with Gordon Jockel, former head of the Joint Intelligence Organisation under Whitlam.

In 1975, John Maxwell Singer was another arms dealer associated with Commerce International, Brading, Yu and Pethard. Singer, as we have noted previously, had an almost unbelievable history.

Singer only escaped a long jail sentence in 1972-1974, when he turned state evidence in a multi-million US dollar counterfeiting case involving Charles Zukker. According to one source, Singer was paid over $90,000 by the US government for informing on Zukker and others.

Singer has very close contacts with Israel, mainly through Benni Irons, a cousin of another Melbourne-based arms dealer, Julian Barson. (Barson is now a major importer of computer equipment and a leading "sunrise" industry promotor, benefitting from many subsidies...)

John Singer: an informer for all

Many of Singer's associates believe he was a freelance agent for Mossad, Israel's intelligence service. Singer certainly did many favors for Mossad in organising arms deals for them and sabotaging others organised for Israel's enemies. Singer also had good connections with the CIA, which did him at least one favor of a personal nature. In 1975, Singer was associated with a serving CIA officer, Earl Morgan, who in turn was linked with both Nugan Hand and Brading.

In 1975, Singer was also an informer for the Federal Bureau of Narcotics while he was simultaneously involved in cocaine and other drug smuggling operations. (Brown Tapes, unnumbered pages). Like many others, Singer was using his position as a Narcotics Bureau informant to avoid criminal charges and facilitate his drug smuggling activities ! At the same time, Singer was also an informer for the Victoria Police, its Special Branch and therefore almost certainly for ASIO !

Singer came close to death in 1975, when he was injured in a Bangkok hotel. He told National Times journalist Marion Wilkinson that he had been thrown out of a window . Others claim he fell or was pushed down some hotel stairs. When Wilkinson quizzed him about Commerce International, Singer replied that she could end up having her head blown off if she continued these inquiries into Commerce International. (NT, August 30-September 9, 1981).

Singer's injuries in Bangkok however arose from a dispute over drug trafficking, reliable sources claim, rather than arms dealing...

Singer had recently disappeared from his familiar Melbourne haunts. Perhaps his long participation in dubious activities and work as an informer for police and intelligence services have finally caught up with him.

Chris Brading returned to Melbourne around 1979. He was declared bankrupt in 1981, after a long dispute with ex-ASIS agent Murray Clapham who was acting for the Singapore-based Airtrust company, after he failed to return a $ US 25,000 deposit paid by Airtrust to him for purchase of an engine from Air America. The deal fell through and Clapham never repaid the deposit. (Brading's bankruptcy hearings, Dec.8, 1981, Melbourne).

Brading has faded from the arms trading scene, but his close 1975 associate David Dexter Pethard remains actively involved. Pethard , we have seen in the Harris loans affair was a key figure and the "boss" of George Harris himself. Pethard also had close links with John Singer, Commerce International, Yu and Cranendock. It is impossible here to detail all the arms deals in which Pethard was involved. Sufficient to note two of them.

Pethard, Hand, Wilson and Libya

In 1979, Pethard was a participant in an arms deal to supply howitzers to Libya. The deal was organised by Edwin P Wilson, the renegade CIA officer, the former key figure in Task Force 157 and the close and old friend of Bernie Houghton and Michael Hand.

Wilson had originally offered the Libyan arms deal to Eugene Bartholomeus who passed it on to Michael Hand. But Hand could not find time to organise it, because of the crisis brewing in Nugan Hand in 1979. Bartholomeus then asked Pethard to organise the deal . Pethard in turn contacted John Singer who was in Israel at the time. Singer arranged for the Israeli Discount Bank to handle the financial aspects of a deal for Libya -- Israel's sworn enemy ! Not unnaturally, the deal fell through. Singer, with his strong Mossad connections sabotaged the operation. Pethard was fully aware of the sabotage.

Arms dealer Eugene Bartholomeus was part of a major arms dealing network which had international political implications. The extent of this network was exposed in June 1984, at least in large part, by Italian magistrate Carlo Palermo in the small northern Italian town of Trento.

For some years, Palermo investigated a huge drugs-for-guns network following the seizure of a huge quantity of morphine base in Trento. Palermo pursued the trail doggedly and brought to light a worldwide conspiracy headed by a Syrian arms dealer, Henri Arsan, who lived in the northern Italian city of Milan. Arsan channelled the financial side of the operation through the Ambrosiano Bank headed by Roberto Calvi. Calvi and Michel Sindona are central figures in the great scandals which have rocked Italy and above all the Vatican in recent years. The notorious P-2 Lodge which Calvi and Sindona served brought together org-

QUOTE: Bartholomeus offered three atom bombs for sale ... the bombs probably never existed and were part of an intelligence operation...

anised crime; neo-fascist terrorists and the Italian secret intelligence services. It was also directly implicated in the Arsan guns-for-drugs network.

It is not possible here to give a full explanation of the Arsan affair. The Paris daily, Le Matin, in June 1984, published three long articles detailing many of these links, written by its Italian correspondent Fabrizio Calvi.

Palermo unearthed evidence of arms deals which have a direct bearing on the subject of this book.

Bartholomeus and the Arsan network

Bartholomeus was a key figure in the Arsan network, even though he was based in Sydney. In 1982, Bartholomeus offered to sell three atom bombs to a number of Italians linked with Arsan, particularly to Glauco Partel. Partel contacted the Syrian government which was most interested in buying the bombs. A Syrian "negotiator-seller" arrived in Amsterdam on January 27, 1982, according to a telex that Palermo seized from Partel.

On February 1, 1982, Partel telexed to Bartholomeus in Sydney : "This message confirms that everything was approved and that the name of the bank charged with the financing will without doubt communicated tomorrow. A summit meeting will be held in Rome in order to seal the affair and to protect the interests of the buyer. It will take place Wednesday or Thursday. A meeting will take place in Luxemburg a little later in order to begin and to contract additional business with the buyers".

The atom-bombs deal was ready to roll, but Vincenzo Giovannelli, another Italian who was working with Partel as an arms dealer, betrayed the plan.

In April 1983, Giovannelli told Palermo what had happened: " The sale of such arms to Syria was against my conscience," he said. He had contacted the Israeli consulate in Milan and told the story to an official identified only as Moshe. "I had decided to warn the government of Israel so they could disrupt the operation. From the Israeli Embassy (sic) in Milan , I called Partel and told him I had no intention of participating in the operation and that I had informed the Israelis of the negotiations. I pleaded with him to break off all talks. Then I furnished the Israelis with a copy of the telex and telephone number of Partel as well as the decode number of the operation". Partel later confirmed this account to Palermo.(Le Matin,June 20,1984).

However Partel continued to try to sell the atom bombs. On March 12, 1982, in a telex to Bartholomeus, he said: "Saudi Sheikh Awany el Faisal placed in a German bank (Frankfurt or Hamburg) $800 million for the three atom bombs. They were sold at a price of $1,200 million. The Lebanese are already in Europe for the transaction". The Saudi sheikh was operating however for "Far East" not Middle East buyers. The money however never arrived and the deal cancelled.

Le Matin's Italian correspondent, Fabrizio Calvi, believes the atom-bomb deal may have been a disinformation operation on the part of a secret service... to intimidate Israel and South Africa." (Both countries were excluded by Partel as possible purchasers of the atom bombs. South Africa was also told of the proposed Syrian sale by Giovannelli). The proposed sale of atom bombs to Syria may have been set up to persuade Israel and South Africa not to develop nuclear weapons. These two countries certainly have the knowledge to do so and are widely believed to now have nuclear weapons ready for use.

Fabrizio Calvi's suspicions that the atom-bomb sale was an intelligence operation were strengthened because of Partel's involvement in just such an operation during the Falklands War. Working for British intelligence, Partel at the time fooled Argentine intelligence services into believing he could provide them with 24 Exocet missiles which had proved so effective against British ships. By the time the Argentinians realised that Partel never had access to the missiles, the Falklands War was almost over. They had little chance of finding the missiles elsewhere in the time that remained.

Partel also had a very long intelligence background, having worked for the US National Security Agency (NSA) for 15 years before becoming a "freelance" arms dealer. The NSA is bigger than theCIA and runs the huge US electronic spying network around the world and helps the CIA operate Pine Gap.

The atom bombs offered for sale by Bartholomeus probably never existed. However, many of the other arms traded by Bartholomeus, Partel and the Arsan network did exist and were delivered. Bartholomeus did arrange, for example, the sale of 66 Cobra helicopters to the Shah of Iran . The deal collapsed when the Shah was overthrown. At one stage, the helicopters were sitting at a Belgian airport. Partel did sell 116 tanks and 20 helicopters to Somalia.

Bartholomeus & the CIA

When Palermo asked Partel where his arms came from, Partel replied: " the Americans".

"Persons such as Bartholomeus," Partel continued, "have the formal function of reseller and avail themselves of intermediaries, always with the approval of secret services".(Le Matin, June 21, 1984. Emphasis added).

Partel was in fact an intermediary and Bartholomeus a "reseller" for the CIA.

Partel drew a diagram for Palermo showing his network around the world. "Bartholomeus occupied himself with Britain and the Commonwealth countries and with countries fabricating Soviet arms (like North Korea)." John Dutcher, an associate of Edwin P Wilson's partner, John Terpil, handled "China but also Saudi Arabia".

It will come as no surprise to readers to learn that Partel listed Commerce International as part of his network!

Among the lost list of illegal arms deals for which

QUOTE: In 1980, Bartholomeus and Pethard were involved in another arms deal... for supply of ammunition ..

Partel and others were charged by magistrate Palermo was one with Iraq which included the supply of ten kilos of uranium 239.

In 1981, an Australian source claimed that Eugene Bartholomeus and David Pethard were involved in the sale of 10 kilos of uranium 239 through Italy. The uranium was allegedly owned by the French government and was originally for sale to Saudi Arabia. In 1981, the uranium was in Khartoum, Sudan, for sale to the highest bidder.

In 1980, Pethard and Bartholomeus were involved in another arms deal. On March 3, 1980, Bartholomeus sent a telex to Pethard concerning the supply of ammunition : "25,000 roundsH.E. for 155mm howitzer... 5,000 rounds H.E.A.T. for above ... 40,000 rounds 40mm Bofors". Bartholomeus claimed that an open letter of credit was available and that it was "transferrable many times so that we will not have the problems we are now having with 'Annigoni'". (Just who or what Annigoni was is unknown). Bartholomeus said he was unable to "disclose the buyer other than for the fact that the end user certificate being issued for the purchase will be acceptable. The end user will be identified (later)".

Bartholomeus said the bank handling the financial arrangements was Fina Corporation Ltd in New York. When Pethard contacted the bank he should mention International Trust Company (IOM) Ltd and its Gerry Murtagh, "so that Gerry can keep on top of the matter". The International Trust Company which featured in other arms deals involving Australians, recently showed up in yet another scandal in the USA, perhaps with CIA knowledge. (New York Post, quoted in New Solidarity, USA, May 19, 1984, see also Time,July 25, 1983). The deals were illegal ones to Iran.

Singer's Iranian arms deal & See

While the International Trust Company was also involved in illegal arms sales to Iran in 1982, John Singer was actively engaged in arranging arms sales to Khomeini's Iran through Iranian intermediaries in Sydney. The Iranians were operating through H C See and Company, a Singapore-company which then had an office in the NSW Labor Council building in Sussex Street, Sydney. Bartholomeus was also involved in Singer's Iranian arms deals. Israel is supplying arms to Iran for its war against Iraq, on the basis that the Arabs are the main enemy. The CIA was supplying arms to both Iran and Iraq, believing that the longer the war lasted, and the more damage inflicted on both sides, the better for the USA. The 200,000 plus casualties for the war were of little concern...

In all these deals, Bartholomeus often used the telex of IFAB Pty Ltd, whose directors included Bartholomeus' partner, Herbert Hayes. Hayes was a part-Chinese Australian whose main interest was in live sheep exports. Hayes tried to sell live sheep to many countries from Bulgaria to Kuwait. IFAB collapsed when the Australian government found it had been defrauded of $82,000 granted to the company as an export grant. It is not known whether Hayes and Bartholomeus in their live sheep operations, had contact with others in this field such as John Kennard, Charles Wyatt and Richard Todd.

NSW police investigating the live sheep grant fraud, reached the conclusion that all of Bartholomeus' operations in arms deals were a "con". Police in a special federal police task force, Operation Gaslight told the Sun Herald that Bartholomeus "wouldn't have two pennies to rub together". They had however discovered links between Bartholomeus and Nugan Hand and also that Bartholomeus had served a jail sentence in California some time ago for heroin trafficking. He was also allegedly associated with the US mafia.

Arms dealers in Australia: a national scandal

Interestingly enough, those associated with Bartholomeus in the drug-trafficking in California were in turn directors of a Panamanian-based company, Commerce Oil International - part of the Commerce International network !!

The Iranians deals were guns-for-oil barter deals: Iran was to provide oil in exchange for weapons. But there is a strong suspicion that something other than oil might have been bartered for the weapons, Iran is after all a major opium producer. The Islamic regime has ruthlessly suppressed drug taking and trafficking in Iran itself. But it cannot be excluded that it is willing to barter its opium overseas for desperately needed weapons.

The past involvement of Singer and Bartholomeus in drug trafficking should also be noted in this regard. Some of the telexes involving the arms supply to Iran contains references to "units" of goods which do not tally with units of weapons or oil.

The atom bomb deal probably was a "con", but one carried out, as Fabrizio Calvi suggested, on behalf of intelligence services, most likely the CIA. Certainly Bartholomeus and his friends and associates, Singer and Pethard were large international arms dealers, plugged into large international arms networks. They did take part in some lucrative deals.

These networks -- the Arsan network : the Wilson network; the Mossad network; the Iranian network -- all "play for keeps". And they are all connected with intelligence services.

There is absolutely no doubt that ASIO, ASIS and other Australian intelligence services were in most cases aware of the activity of Bartholomeus, Pethard Singer and other Australian arms dealers. Because the the CIA, Mossad and others were involved in these arms deals, ASIO would have been informed or learned of them.

The operations of arms dealers from Australia is an enormous scandal. Acting as middlemen in arms deals is not illegal under Australian law, provided that the arms concerned do not come from or transit through Australia. Any involvement in the traffic should however be outlawed. Australia has become a

QUOTE: Everything points to an intelligence role in the loans affairs with Commerce International playing a pivotal role...

world centre for a traffic that involved intelligence services, organised crime and con men and that is morally repugnant to the vast majority of Australians. Because of the nature of those forces involved in the arms trade, many illegal aspects enter into it -- guns-for-drugs; supply of weapons to regimes which are pariahs in the world community; dubious financial dealings; trading with fake end-user certificates for weapons, and multimillion dollar frauds, as well as providing foot soldiers for dirty tricks mounted by intelligence services, including mercenaries in central America and elsewhere.

As we have noted in the chapter on the Cowls affair, Commerce International was involved in two African arms deals with British arms dealer John Ralph and Group Captain Michael Stephens. The court in Brussels found against Commerce International and Cradock, to the tune of $100,000 damages against them. Cradock quickly moved Commerce International's headquarters to Cagnes-sur-Mer near Nice on the French Riviera, to avoid paying the $100,000. From his Riviera retreat, Cradock became deeply involved in the Arsan network, even though Cradock said he had stopped dealing in arms. In the Falklands War time, Commerce International supplied Argentina with spare parts for Bofors anti-aircraft guns, just before the war began -- something that did not make Cradock popular in his homeland .(Private Eye, June 1, 1984). Commerce International is a very big operator on the arms market. On the surface, it is an operation run just by Frank Cradock. But according to Australian expatriate journalist Philip Frazer in the US magazine Mother Jones (March 1984) , Commerce International was set up, at least initially, as a front for Task Force 157 by Edwin P Wilson. No other confirming evidence for this claim is available and Frazer has not supplied the source for this claim. But Frazer is a responsible journalist who did much research into the loans affairs and the fall of the Whitlam government.

If Commerce International was a front company for Task Force 157 and therefore of the CIA, then it would be conclusive evidence that the loans affairs were a conspiracy manipulated by the CIA. But even if it cannot be shown that Commerce International was set up by the CIA, then its widespread connections with the Agency raise the greatest possible suspicions. When we consider that Yu, Cranendock, Pethard and Stephens all had intelligence connections, then we must conclude, taking all the evidence compiled in this book, that everything points to an intelligence role in the loans affairs with Commerce International playing a pivotal role.

Finally, as we have noted previously, Abe Saffron had extensive contact with Commerce International in the seventies, according to reliable sources. If this is so, we can see the outlines of a conspiracy, co-ordinated exactly in ways not yet fully clarified, and involving intelligence services, organised crime arms dealers and the political manipulators in the Liberal and National Country parties; a conspiracy to destabilise, then destroy the Whitlam Labor government.

In this conspiracy Sir John Kerr gave but the final coup de grace...

Sydney University students on the march, November 11, 1975

Who's who...

Of more than 100 people mentioned in this book, I have selected those which occur several times, which are not well known to the average reader, and which readers may find it necessary to recall:

John Arthur BOYDEN:tax evasion scheme operator with Transia Corporation; featured in Costigan Commission; in 1975 associate of John LICARDY.

John Everett BRACEY: served jail term for Kimberley Minerals fraud; director International Funding Affiliates Pty Ltd; ; associate of almost all main players in all loans affairs etc..

Christopher Sundt BRADING:arms dealer, CIA pilot, associate of Pethard, Singer, Commerce International; Yu; Cranendock; Schutt etc etc

Robert Stanley COHEN:representative International Funding Affiliates; accompanied Harris to New York meeting with Commerce International; associate of Colin Hamilton, Murray Riley, John Bracey, Dan Thomson etc.; linked to Anoa importation...

Theo CRANENDOCK: Dutch-based arms dealer; introduced Khemlani to Connor; associate of Commerce International; Yu; Brading; Pethard etc

Alan James CRAWFORD: Khemlani's London "business associate"; involved in pirate Radio Caroline; sale of tickets for trip to moon...

E C (Ted) GIBSON: Australian "representative" of Harry Gilham; associate of Cowls, perhaps Barbarich.

Colin Francis HAMILTON: former NSW police officer; associate Bracey, Cohen, Rogers, Thomson, Krahe, Riley; linked to Anoa importation.

Fred KRAHE:(Deceased) former NSW Police officer; hit man ; associate Riley, Hamilton, Theeman etc.

John Francis LICARDY: Khemlani's Sydney solicitor; accused of fraud, struck from roll of solicitors; associate John BOYDEN

Michael John MOLONEY: Sydney solicitor for Bernie Houghton; Michael Hand; associate Peter Rogers, Bruce McDonald etc.

Earl MORGAN: CIA officer; associate of Brading, Singer, Nugan Hand.

David Dexter PETHARD: developer, arms dealer; employer of George Harris in 1975; associate of Yu, Cranendock, Brading, Bartholomeus, Michael Hand, Edwin P Wilson etc..

Murray Stewart RILEY: former NSW police officer; served long jail term for Anoa drug importation; associate Hamilton, Cohen, Saffron, Theeman, Nugan Hand etc..

Peter ROGERS: representative International Funding Affiliates; accompanied Harris and Cohen to NY meeting with Commerce International; associate of Michael MOLONEY.

Jack ROOKLYN:named as organised crime figure; Bally poker machines in seventies; associated with Yips in Hong Kong, Riley etc.

John Maxwell SINGER: arms dealer, drug smuggler; police informer; associate Pethard, Brading, Yu, Cranendock, Commerce International, Bartholomeus, etc. Suspected MOSSAD and CIA agent.

Danny STEIN: US mafia figure; associate Lenny McPherson, George Freeman, Colin Hamilton; Murray Riley.

Alexander Daniel (Dan) THOMSON: real estate agent; director, Minerals Centre NL; associate John Bracey, Robert Cohen, Peter Rogers, Senator Ian Wood, David Pethard, Leslie Nagy, George Harris, Philip Lynch etc. prominent in Harris loans affair.

Richard Bradburn TODD: US financier, arms dealer; present in all loans affairs; associate Fancher, Bracey, Harris etc..

Edwin P WILSON: arms dealer, CIA officer, Task Force 157; associate of Bernie Houghton; Nugan Hand; Bartholomeus; David Pethard, Commerce International

Thomas YU: Hong Kong-based arms dealer; business associate of Cranendock, helped introduce Khemlani to Connor; associate Tibor Shelley, Brading, Commerce International, Pethard, Singer...

Tammy Fraser tries to whip up a few cheers for a downcast Malcolm at his last public rally, Martin Place, Sydney, March 1983...